PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2010
OF THE CONDITION AND AFFAIRS OF THE

National Merit Insurance Company

NAIC Group Code 0215 (Current) 1234 (Prior) NAIC Company Code 39004 Employer's ID Number 91-1119010

Organized under the Laws of Washington, State of Domicile or Port of Entry WA

Country of Domicile United States of America

Incorporated/Organized 06/20/1980 Commenced Business 12/31/1980

Statutory Home Office 1330 N. Washington St., Suite 2100 (Street and Number), Spokane, WA 99201 (City or Town, State and Zip Code)

Main Administrative Office 500 South Broad Street (Street and Number)
Meriden, CT 06450-1034 (City or Town, State and Zip Code), 203-634-7200 (Area Code) (Telephone Number)

Mail Address 500 South Broad Street (Street and Number or P.O. Box), Meriden, CT 06450-1034 (City or Town, State and Zip Code)

Primary Location of Books and Records 500 South Broad Street (Street and Number)
Meriden, CT 06450-1034 (City or Town, State and Zip Code), 203-634-7200 (Area Code) (Telephone Number)

Internet Web Site Address www.unitrin.com

Statutory Statement Contact Raquel B. Siomeling (Name), 904-245-5600 (Area Code) (Telephone Number)
usgstatutory@unitrin.com (E-mail Address), 904-245-5601 (FAX Number)

OFFICERS

Chairman of the Board	James Allen Schulte	Vice President & Treasurer	Gregory Gerald Alcazar #
President & CEO	Timothy Douglas Bruns	Vice President & Secretary	Margaret Lorraine O'Hara

OTHER

Ronald Edward Greco Vice President	David Michael Elkins Senior Vice President	Richard Eugene Saltzman # Senior Vice President

DIRECTORS OR TRUSTEES

Timothy Douglas Bruns	John Michael Boschelli	Samuel Lewis Fitzpatrick
Edward James Konar	Richard NMI Roeske	James Allen Schulte
Francis Joseph Sodaro		

State of Florida
County of Duval SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Timothy Douglas Bruns President & CEO	Gregory Gerald Alcazar Vice President & Treasurer	Margaret Lorraine O'Hara Vice President & Secretary

Subscribed and sworn to before me this
_____ day of November, 2010

a. Is this an original filing? Yes [X] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	10,940,014		10,940,014	9,518,187
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	134,393		134,393	148,313
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less $ ..... encumbrances)				
4.2 Properties held for the production of income (less $ ..... encumbrances)				
4.3 Properties held for sale (less $ ..... encumbrances)				
5. Cash ($ 107,353), cash equivalents ($ .....) and short-term investments ($ 361,639)	468,992		468,992	3,007,751
6. Contract loans (including $ ..... premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Aggregate write-ins for invested assets				
11. Subtotals, cash and invested assets (Lines 1 to 10)	11,543,399		11,543,399	12,674,251
12. Title plants less $ ..... charged off (for Title insurers only)				
13. Investment income due and accrued	116,486		116,486	95,330
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	37,340		37,340	30,365
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ..... earned but unbilled premiums)	1,333,311		1,333,311	1,443,434
14.3 Accrued retrospective premiums				
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers	156,976		156,976	156,976
15.2 Funds held by or deposited with reinsured companies				
15.3 Other amounts receivable under reinsurance contracts				
16. Amounts receivable relating to uninsured plans				
17.1 Current federal and foreign income tax recoverable and interest thereon				
17.2 Net deferred tax asset	2,514,725	2,115,725	399,000	399,000
18. Guaranty funds receivable or on deposit				
19. Electronic data processing equipment and software				
20. Furniture and equipment, including health care delivery assets ($ .....)				
21. Net adjustment in assets and liabilities due to foreign exchange rates				
22. Receivables from parent, subsidiaries and affiliates	115,433		115,433	
23. Health care ($ .....) and other amounts receivable				
24. Aggregate write-ins for other than invested assets	43,254		43,254	38,823
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	15,860,925	2,115,725	13,745,200	14,838,179
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
27. Total (Lines 25 and 26)	15,860,925	2,115,725	13,745,200	14,838,179
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page				
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)				
2401. Premium tax receivable	43,254		43,254	38,823
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	43,254		43,254	38,823

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31, Prior Year
1.	Losses (current accident year $)		
2.	Reinsurance payable on paid losses and loss adjustment expenses		
3.	Loss adjustment expenses		
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	12,144	2,508
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	18,301	
7.1	Current federal and foreign income taxes (including $ on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $ and interest thereon $		
9.	Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 3,529,038 and including warranty reserves of $)		
10.	Advance premium	123,621	113,257
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	1,370,655	2,183,938
13.	Funds held by company under reinsurance treaties		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance	68,024	68,024
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates		562,685
20.	Derivatives		
21.	Payable for securities		
22.	Liability for amounts held under uninsured plans		
23.	Capital notes $ and interest thereon $		
24.	Aggregate write-ins for liabilities	46,659	43,920
25.	Total liabilities excluding protected cell liabilities (Lines 1 through 24)	1,639,405	2,974,331
26.	Protected cell liabilities		
27.	Total liabilities (Lines 25 and 26)	1,639,405	2,974,331
28.	Aggregate write-ins for special surplus funds	266,000	266,000
29.	Common capital stock	3,000,000	3,000,000
30.	Preferred capital stock		
31.	Aggregate write-ins for other than special surplus funds		
32.	Surplus notes		
33.	Gross paid in and contributed surplus	7,032,360	7,032,360
34.	Unassigned funds (surplus)	1,807,435	1,565,488
35.	Less treasury stock, at cost:		
	35.1 shares common (value included in Line 29 $)		
	35.2 shares preferred (value included in Line 30 $)		
36.	Surplus as regards policyholders (Lines 28 to 34, less 35)	12,105,795	11,863,848
37.	Totals	13,745,200	14,838,179
	DETAILS OF WRITE-INS		
2401.	Escheat	46,659	43,920
2402.			
2403.			
2498.	Summary of remaining write-ins for Line 24 from overflow page		
2499.	Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	46,659	43,920
2801.	DTA admitted pursuant to paragraph 10.e. of SSAP No. 10R	266,000	266,000
2802.			
2803.			
2898.	Summary of remaining write-ins for Line 28 from overflow page		
2899.	Totals (Lines 2801 through 2803 plus 2898)(Line 28 above)	266,000	266,000
3101.			
3102.			
3103.			
3198.	Summary of remaining write-ins for Line 31 from overflow page		
3199.	Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)		

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 8,119,525)	8,486,700	10,276,239	13,388,751
1.2 Assumed (written $)		9,234,028	9,234,028
1.3 Ceded (written $)	8,486,700	10,277,091	13,389,603
1.4 Net (written $ 8,119,525)		9,233,176	9,233,176
DEDUCTIONS:			
2. Losses incurred (current accident year $):			
2.1 Direct	3,735,470	6,748,396	8,519,419
2.2 Assumed		8,401,848	8,401,848
2.3 Ceded	3,735,470	6,748,396	8,519,418
2.4 Net		8,401,848	8,401,849
3. Loss adjustment expenses incurred		784,224	784,224
4. Other underwriting expenses incurred	280	3,755,576	3,813,380
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	280	12,942,649	12,999,453
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7)	(280)	(3,709,473)	(3,766,277)
INVESTMENT INCOME			
9. Net investment income earned	254,852	757,336	969,375
10. Net realized capital gains (losses) less capital gains tax of $	8	(623,094)	154,891
11. Net investment gain (loss) (Lines 9 + 10)	254,860	134,241	1,124,266
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)		(6,573)	(6,573)
13. Finance and service charges not included in premiums			56,804
14. Aggregate write-ins for miscellaneous income	89		838
15. Total other income (Lines 12 through 14)	89	(6,573)	51,070
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	254,669	(3,581,804)	(2,590,941)
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	254,669	(3,581,804)	(2,590,941)
19. Federal and foreign income taxes incurred			
20. Net income (Line 18 minus Line 19)(to Line 22)	254,669	(3,581,804)	(2,590,941)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	11,863,848	13,493,934	13,493,934
22. Net income (from Line 20)	254,669	(3,581,804)	(2,590,941)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains (losses) less capital gains tax of $ (4,503)	(8,362)	407,393	409,514
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(149,371)	1,080,954	927,063
27. Change in nonadmitted assets	145,010	(862,339)	(346,884)
28. Change in provision for reinsurance			(68,024)
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			(226,814)
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			266,000
38. Change in surplus as regards policyholders (Lines 22 through 37)	241,947	(2,955,795)	(1,630,086)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	12,105,795	10,538,138	11,863,848
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus 0598)(Line 5 above)			
1401. Miscellaneous income	89		838
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498)(Line 14 above)	89		838
3701. DTA admitted pursuant to paragraph 10.e. of SSAP No. 10R			266,000
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798)(Line 37 above)			266,000

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	(699,768)	14,858,411	6,423,043
2. Net investment income	315,198	917,429	1,335,952
3. Miscellaneous income	89	(6,573)	51,070
4. Total (Lines 1 to 3)	(384,481)	15,769,268	7,810,065
5. Benefit and loss related payments		9,805,668	17,832,264
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	(27,658)	5,868,808	6,995,029
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ ..... tax on capital gains (losses)		(25,650)	(25,650)
10. Total (Lines 5 through 9)	(27,658)	16,648,827	24,801,642
11. Net cash from operations (Line 4 minus Line 10)	(356,823)	(879,559)	(16,991,577)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	389,861	2,068,287	17,591,319
12.2 Stocks		2,059,822	2,059,822
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	8		
12.7 Miscellaneous proceeds		1,107,501	1,144,000
12.8 Total investment proceeds (Lines 12.1 to 12.7)	389,869	5,235,610	20,795,141
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,892,136	1,915,079	1,915,079
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,892,136	1,915,079	1,915,079
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(1,502,268)	3,320,531	18,880,062
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	(679,667)	1,465,711	(391,307)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(679,667)	1,465,711	(391,307)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(2,538,758)	3,906,683	1,497,178
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	3,007,751	1,510,573	1,510,573
19.2 End of period (Line 18 plus Line 19.1)	468,992	5,417,256	3,007,751

Note: Supplemental disclosures of cash flow information for non-cash transactions:

1. **Summary of Significant Accounting Policies**

A. Accounting Practices

The accompanying financial statements of National Merit Insurance Company ("the Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") Annual Statement Instructions and *Accounting Practices and Procedures Manual*, ("the NAIC Manual") and the laws of the State of Washington.

The Washington Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Washington for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Washington Insurance Law. The NAIC Manual has been adopted as a component of prescribed or permitted practices by the State of Washington. The Company has not adopted prescribed accounting practices that differ from those found in the NAIC Manual.

2. **Accounting Changes and Corrections of Errors** — No change.

3. **Business Combinations and Goodwill** — No change.

4. **Discontinued Operations** — No change.

5. **Investments**

D. (1) The fair value of loan-backed securities owned by the company was $1,101,154 as of September 30. 2010.

(2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or pricing services.

(3) The Company's loan-backed securities portfolio is concentrated in Ginnie Mae, Fannie Mae and/or Freddie Mac.

(4) The Company did not recognize any other-than-temporary-impairment losses on loan-backed securities in the first nine months of 2010.

(5) The Company does not hold any loan-backed securities with a recognized other-than-temporary-impairment as of September 30, 2010.

(6) The Company does not hold any loan-backed securities in an unrealized loss position as of September 30, 2010.

(7) The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. Some factors considered in evaluating whether a decline in fair value is other than temporary include: 1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value; 2) the duration and extent to which the fair value has been less than cost; and 3) the financial condition and prospects of the issuer. Losses arising from other than temporary declines in fair value are computed on a specific identification method and are reported in the Statement of Income in the period in which the decline was determined to be other than temporary.

(8) The Company has obtained fair values for all of its securities.

6. **Joint Ventures, Partnerships and Limited Liability Companies** — No change.

7. **Investment Income** — No change.

8. **Derivative Instruments** — No change.

9. **Income Taxes** — No material or significant change.

10. **Information Concerning Parent, Subsidiaries and Affiliates**

D. Amounts Due to or from Related Parties:

The Company reported $115,433 receivable from the Parent. Trinity Universal Insurance Company.

11. **Debt** — No change.

12. **Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plan: — No change.

B. Defined Contribution Plan: — No change.

C. Multiemployer Plan: — No change.

D. Consolidated/Holding Company Plans: — No change.

E. Postretirement Benefits and Compensated Absences: — No change.

13. **Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations** — No change.

14. Contingencies

The Management of the Company is unaware of legal or other contingencies, which Management believes would be reasonably likely to have a material adverse effect on the Company's financial statements.

15. Leases — No material or significant change.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk — No change.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales: — No change.

B. Transfers and Servicing of Financial Assets: — No change.

C. Wash Sales:
The Company has no wash sales.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans — No change.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators — No change.

20. Other Items — No change.

21. Events Subsequent — No change.

22. Reinsurance — No change.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination — No change.

24. Changes in Incurred Losses and Loss Adjustment Expenses

Property and casualty insurance reserves are estimates based on historical experience patterns and current economic trends. Actual loss experience and loss trends are likely to differ from these historical experience patterns and economic conditions. Loss experience and loss trends emerge over several years from the dates of loss inception. The Company monitors such emerging loss trends. Upon concluding, based on the data available, that an emerging loss trend will continue, the Company adjusts its property and casualty insurance reserves to reflect such trend. These changes in loss trend are reflected in the results of the period of change and included in the Company's financial statements net of reinsurance. The business to which this development relates is not retrospectively rated; therefore, they are not subject to premium adjustments.

25. Intercompany Pooling Arrangements — No change.

26. Structured Settlements — No material or significant change.

27. Health Care Receivables — No change.

28. Participating Policies — No change.

29. Premium Deficiency Reserves — No change.

30. High Deductibles — No change.

31. Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses — No change.

32. Asbestos/Environmental Reserves — No change.

33. Subscriber Savings Accounts — No change.

34. Multiple Peril Crop Insurance — No change.

35. Financial Guaranty Insurance

B. Financial Guaranty Insurance:
The Company does not write financial guaranty insurance.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [X] No [ ]
If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

4.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [ ] N/A [X]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2006

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2006

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/22/2008

6.4 By what department or departments?
Washington State Office of the Insurance Commissioner

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [ ] N/A [ ]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

7.2 If yes, give full information:

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No [ ]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Fireside Bank	Pleasanton, CA				YES	

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes [X] No [ ]
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? ..... Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? ..... Yes [X] No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... $ 115,433

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... $

13. Amount of real estate and mortgages held in short-term investments: ..... $

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes [ ] No [X]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	$	$
14.22 Preferred Stock	$	$
14.23 Common Stock	$	$
14.24 Short-Term Investments	$	$
14.25 Mortgage Loans on Real Estate	$	$
14.26 All Other	$	$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$	$
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ]
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
The Northern Trust Company	50 South LaSalle Street, Chicago, IL 60675

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? ..... Yes [ ] No [X]

16.4 If yes, give full information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes [X] No [ ]

17.2 If no, list exceptions:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? ..... Yes [ ] No [ ] N/A [X]
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? ..... Yes [ ] No [X]
If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? ..... Yes [ ] No [X]

3.2 If yes, give full and complete information thereto.

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? ..... Yes [ ] No [X]

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
		TOTAL								

5. Operating Percentages:

5.1 A&H loss percent ..... %

5.2 A&H cost containment percent ..... %

5.3 A&H expense percent excluding cost containment expenses ..... %

6.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date ..... $.....

6.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date ..... $.....

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.	1 Active Status	Direct Premiums Written 2 Current Year To Date	3 Prior Year To Date	Direct Losses Paid (Deducting Salvage) 4 Current Year To Date	5 Prior Year To Date	Direct Losses Unpaid 6 Current Year To Date	7 Prior Year To Date
1. Alabama AL	N						
2. Alaska AK	N						
3. Arizona AZ	N						
4. Arkansas AR	N						
5. California CA	N						
6. Colorado CO	N						
7. Connecticut CT	N						
8. Delaware DE	N					8	
9. District of Columbia DC	N						
10. Florida FL	N						
11. Georgia GA	N						
12. Hawaii HI	N						
13. Idaho ID	L						
14. Illinois IL	L						
15. Indiana IN	N						
16. Iowa IA	N						
17. Kansas KS	N						
18. Kentucky KY	N						
19. Louisiana LA	N						
20. Maine ME	N						
21. Maryland MD	N						
22. Massachusetts MA	N						
23. Michigan MI	N						
24. Minnesota MN	N						
25. Mississippi MS	N						
26. Missouri MO	N						
27. Montana MT	N						
28. Nebraska NE	N						
29. Nevada NV	N						
30. New Hampshire NH	N						
31. New Jersey NJ	N						
32. New Mexico NM	N						
33. New York NY	L	2,773,036	3,181,827	1,702,449	2,155,552	1,837,397	2,506,760
34. North Carolina NC	N						
35. North Dakota ND	N						
36. Ohio OH	N						
37. Oklahoma OK	N						
38. Oregon OR	L						
39. Pennsylvania PA	L					1,739	5,239
40. Rhode Island RI	N						
41. South Carolina SC	N						
42. South Dakota SD	N						
43. Tennessee TN	N						
44. Texas TX	N						
45. Utah UT	N						
46. Vermont VT	N						
47. Virginia VA	N						
48. Washington WA	L	5,346,489	6,629,831	4,165,209	5,092,003	5,042,811	8,844,630
49. West Virginia WV	N						
50. Wisconsin WI	N						
51. Wyoming WY	N						
52. American Samoa AS	N						
53. Guam GU	N						
54. Puerto Rico PR	N						
55. U.S. Virgin Islands VI	N						
56. Nothern Mariana Islands MP	N						
57. Canada CN	N						
58. Aggregate Other Alien OT	XXX						
59. Totals	(a) 6	8,119,525	9,811,658	5,867,658	7,247,555	7,881,955	11,356,629
DETAILS OF WRITE-INS							
5801.	XXX						
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX						

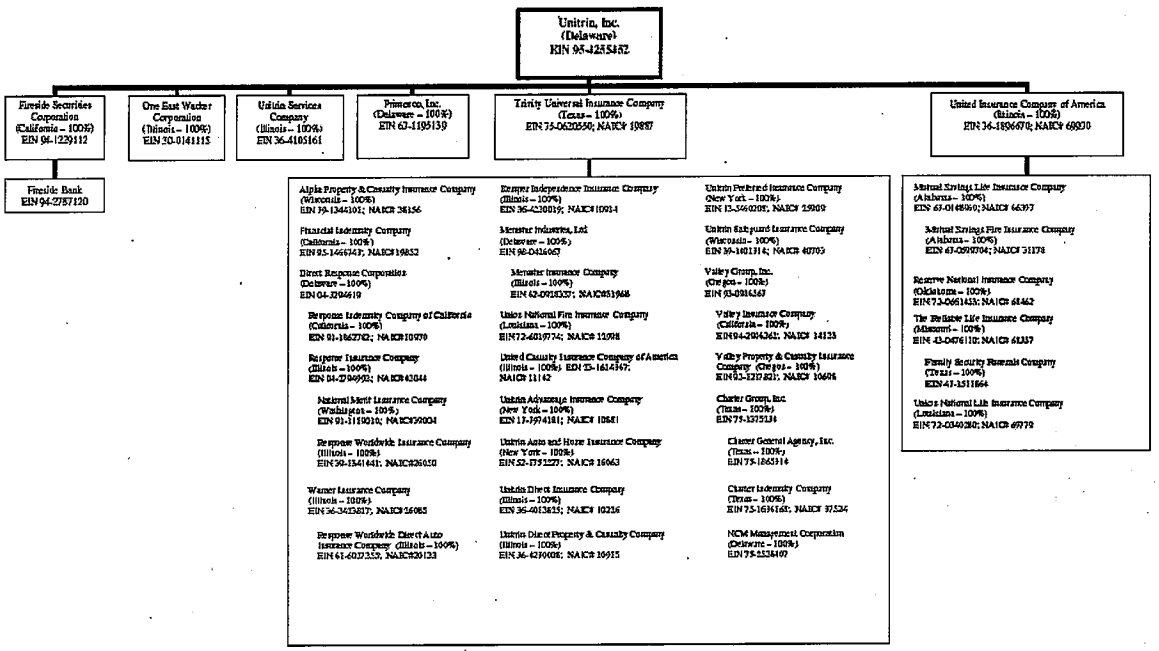
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE National Merit Insurance Company

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



Unitrin County Mutual Insurance Company (NAIC# 20351, domiciled in the state of Texas) is affiliated with NCM Management Corp. by virtue of a management agreement. Capitol County Mutual Fire Insurance Company (NAIC# 20351, domiciled in the state of Texas) is affiliated with The Reliable Life Insurance Company by virtue of a management agreement. Old Reliable County Company (NAIC# 34622, domiciled in the state of Missouri) is affiliated with Trinity Universal Insurance Company by virtue of its affiliation with Capital County Mutual Fire Insurance Company.

PART 1 - LOSS EXPERIENCE

	Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1.	Fire				
2.	Allied Lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril		(15,409)		
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine				
10.	Financial guaranty				
11.1	Medical professional liability - occurrence				
11.2	Medical professional liability - claims-made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health				
15.	Other accident and health				
16.	Workers' compensation				
17.1	Other liability - occurrence	19,203	4,874	25.4	382.0
17.2	Other liability - claims-made				
17.3	Excess workers' compensation				
18.1	Products liability - occurrence				
18.2	Products liability - claims-made				
19.1,19.2	Private passenger auto liability	4,665,343	2,207,241	47.3	94.5
19.3,19.4	Commercial auto liability				
21.	Auto physical damage	3,802,154	1,538,763	40.5	29.1
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business				
35.	Totals	8,486,700	3,735,470	44.0	65.7
	DETAILS OF WRITE-INS				
3401.					
3402.					
3403.					
3498.	Summary of remaining write-ins for Line 34 from overflow page				
3499.	Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)				

PART 2 - DIRECT PREMIUMS WRITTEN

	Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1.	Fire			
2.	Allied Lines			
3.	Farmowners multiple peril			
4.	Homeowners multiple peril			
5.	Commercial multiple peril			
6.	Mortgage guaranty			
8.	Ocean marine			
9.	Inland marine			
10.	Financial guaranty			
11.1	Medical professional liability - occurrence			
11.2	Medical professional liability - claims-made			
12.	Earthquake			
13.	Group accident and health			
14.	Credit accident and health			
15.	Other accident and health			
16.	Workers' compensation			
17.1	Other liability - occurrence	7,927	20,170	23,216
17.2	Other liability - claims-made			
17.3	Excess workers' compensation			
18.1	Products liability - occurrence			
18.2	Products liability - claims-made			
19.1,19.2	Private passenger auto liability	1,455,096	4,479,971	5,367,108
19.3,19.4	Commercial auto liability			
21.	Auto physical damage	1,172,054	3,619,384	4,401,335
22.	Aircraft (all perils)			
23.	Fidelity			
24.	Surety			
26.	Burglary and theft			
27.	Boiler and machinery			
28.	Credit			
29.	International			
30.	Warranty			
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business			
35.	Totals	2,635,077	8,119,525	9,811,658
	DETAILS OF WRITE-INS			
3401.				
3402.				
3403.				
3498.	Summary of remaining write-ins for Line 34 from overflow page			
3499.	Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)			

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE National Merit Insurance Company

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1+2)	4 2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2010 Loss and LAE Payments (Cols. 4+5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols.7+8+9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols.4+7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5+9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11+12)
1. 2007 + Prior													
2. 2008													
3. Subtotals 2008 + Prior													
4. 2009													
5. Subtotals 2009 + Prior													
6. 2010	XXX	XXX	XXX	XXX			XXX				XXX	XXX	XXX
7. Totals											Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
8. Prior Year-End Surplus As Regards Policyholders	11,854										1.	2.	3.
													Col. 13, Line 7 As a % of Col. 1 Line 8 4.

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanations:

1.

2.

3.

Bar Codes:

1. Trusteed Surplus Statement [Document Identifier 490]

2. Supplement A to Schedule T [Document Identifier 455]

3. Medicare Part D Coverage Supplement [Document Identifier 365]

OVERFLOW PAGE FOR WRITE-INS

NONE

SCHEDULE A - VERIFICATION

Real Estate

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

SCHEDULE B - VERIFICATION

Mortgage Loans

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	9,666,498	26,782,796
2. Cost of bonds and stocks acquired	1,892,136	1,915,079
3. Accrual of discount	8,011	6,141
4. Unrealized valuation increase (decrease)	(12,864)	630,021
5. Total gain (loss) on disposals		154,891
6. Deduct consideration for bonds and stocks disposed of	389,861	19,651,141
7. Deduct amortization of premium	89,513	171,289
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	11,074,407	9,666,498
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	11,074,407	9,666,498

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE National Merit Insurance Company

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	12,126,523	8,467,280	9,282,170	(29,980)	11,521,387	12,126,523	11,301,653	12,239,873
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	12,126,523	8,467,280	9,282,170	(29,980)	11,521,387	12,126,523	11,301,653	12,239,873
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds and Preferred Stock	12,126,523	8,467,280	9,282,170	(29,980)	11,521,387	12,126,523	11,301,653	12,239,873

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ _____ ; NAIC 2 $ _____ ; NAIC 3 $ _____ ;
NAIC 4 $ _____ ; NAIC 5 $ _____ ; NAIC 6 $ _____

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year-to-Date	5 Paid for Accrued Interest Year-to-Date
9199999 Totals	361,639	XXX	361,639	1	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,501,690	966,098
2. Cost of short-term investments acquired	15,938,105	12,257,680
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	17,078,156	11,719,865
7. Deduct amortization of premium		2,223
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	361,639	1,501,690
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	361,639	1,501,690

Schedule DB - Part A - Verification - Options, Caps, Floors, Collars, Swaps and Forwards

NONE

Schedule DB - Part B - Verification - Futures Contracts

NONE

Schedule DB - Part C - Section 1 - Replication (Synthetic Asset) Transactions (RSATs) Open

NONE

Schedule DB - Part C - Section 2 - Reconciliation of Replication (Synthetic Asset) Transactions Open

NONE

Schedule DB - Verification - Book/Adjusted Carrying Value, Fair Value and Potential Exposure of Derivatives

NONE

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,219,996	
2. Cost of cash equivalents acquired	23,808,938	1,219,995
3. Accrual of discount	1,007	1
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	8	
6. Deduct consideration received on disposals	25,029,948	
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)		1,219,996
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)		1,219,996

Schedule A - Part 2 - Real Estate Acquired and Additions Made

NONE

Schedule A - Part 3 - Real Estate Disposed

NONE

Schedule B - Part 2 - Mortgage Loans Acquired

NONE

Schedule B - Part 3 - Mortgage Loans Disposed, Transferred or Repaid

NONE

Schedule BA - Part 2 - Other Long-Term Invested Assets Acquired

NONE

Schedule BA - Part 3 - Other Long-Term Invested Assets Disposed, Transferred or Repaid

NONE

Schedule D - Part 3 - Long-Term Bonds and Stocks Acquired

NONE

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE National Merit Insurance Company

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Years Other Than Temporary Impairment Recognized	Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13)	Total Foreign Exchange Change in Book /Adjusted Carrying Value	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
36179M-D4-0	GINNIE MAE 2007-34		09/01/2010	MBS PAYDOWN		9,530	9,530	9,449	9,523		37		37		9,555				243	11/01/2036	1
36179M-H3-7	GINNIE MAE 2007-46		07/01/2010	MBS PAYDOWN		718	718	697	722		396		396		718				13	07/01/2013	1
36179M-J7-7	GINNIE MAE 2007-52		09/01/2010	MBS PAYDOWN		954	954	928	943		1		1		954				24	01/01/2048	1
36179M-L6-5	GINNIE MAE 2008-47		09/01/2010	MBS PAYDOWN		1,493	1,493	1,493	1,462		31		31		1,493				30	01/01/2019	1
36179M-UJ-5	GINNIE MAE 2009-13		09/01/2010	MBS PAYDOWN		5,686	5,686	5,686	5,686						5,686				93	06/01/2021	1
36179M-HR-7	GINNIE MAE 2009-9		09/01/2010	MBS PAYDOWN		1,218	1,218	1,216	1,217		1		1		1,218				33	06/01/2022	1
36179M-QB-0	GINNIE MAE 2009-34		09/01/2010	MBS PAYDOWN		1,923	1,923	1,904	1,919		4		4		1,923				56	08/01/2021	1
36179M-RJ-9	GINNIE MAE 2009-67		09/01/2010	MBS PAYDOWN		1,037	1,037	1,016	1,034		2		2		1,037				31	02/01/2025	1
36179M-RP-6	GINNIE MAE 2009-6		09/01/2010	MBS PAYDOWN		458	458	450	455		4		4		458				12	10/01/2023	1
36179M-SS-9	GINNIE MAE 2009-5		09/01/2010	MBS PAYDOWN		2,004	2,004	1,954	2,002		2		2		2,004				34	07/01/2028	1
36179M-10-2	GINNIE MAE 2009-9		09/01/2010	MBS PAYDOWN		657	657	647	653		4		4		657				33	05/01/2029	1
36179M-11-3	GINNIE MAE 2009-19		09/01/2010	MBS PAYDOWN		2,161	2,161	1,948	2,153		18		18		2,161				42	06/01/2030	1
36179M-VJ-1	GINNIE MAE 2009-49		09/01/2010	MBS PAYDOWN		406	406	399	399		7		7		406				10	06/01/2024	1
36179M-W5-5	GINNIE MAE 2009-13		09/01/2010	MBS PAYDOWN		922	922	905	921		1		1		922				24	11/01/2029	1
36179M-7H-1	GINNIE MAE 2003-46		09/01/2010	MBS PAYDOWN		834	834	812	827		5		5		834				11	02/01/2030	1
36179J-5F-5	GINNIE MAE 2004-73		09/01/2010	MBS PAYDOWN		1,053	1,053	1,022	1,040		13		13		1,053				20	12/01/2019	1
36179J-FB-7	GINNIE MAE 2004-77		09/01/2010	MBS PAYDOWN		19,206	19,206	18,777	18,873		333		333		19,206				433	05/01/2019	1
36179H-E6-5	GINNIE MAE 2003-76		09/01/2010	MBS PAYDOWN		656	656	633	656		1		1		656				17	06/01/2030	1
36179H-JK-6	GINNIE MAE 2003-42		09/01/2010	MBS PAYDOWN		789	789	770	787		2		2		789				17	10/01/2029	1
0399999. Bonds - U.S. Governments						52,255	52,255	51,201	51,948		1,348		1,348		52,255				1,243	XXX	XXX
31371L-R6-4	FANNIE MAE 252468		09/01/2010	MBS PAYDOWN		748	748	753	755		(7)		(7)		748				24	10/01/2011	1
31404H-U9-0	FANNIE MAE 725324		09/01/2010	MBS PAYDOWN		2,542	2,542	2,626	2,549		(8)		(8)		2,542				49	01/01/2034	1
31404S-UJ-9	FANNIE MAE 735685		09/01/2010	MBS PAYDOWN		5,588	5,588	5,633	5,611		(23)		(23)		5,588				103	01/01/2034	1
31404E-LX-2	FANNIE MAE 708042		09/01/2010	MBS PAYDOWN		3,707	3,707	3,815	3,721		(14)		(14)		3,707				115	05/01/2019	1
31404E-4G-1	FANNIE MAE 708338		09/01/2010	MBS PAYDOWN		4,097	4,097	4,222	4,113		(16)		(16)		4,097				141	05/01/2019	1
31403H-K0-4	FANNIE MAE 694068		09/01/2010	MBS PAYDOWN		5,378	5,378	5,348	5,393		(15)		(15)		5,378				205	07/01/2022	1
31416C-W9-1	FANNIE MAE 962881		09/01/2010	MBS PAYDOWN		8,116	8,116	8,399	8,147		(31)		(31)		8,116				231	05/01/2023	1
3199999. Bonds - U.S. Special Revenues						30,077	30,077	30,831	30,172		(94)		(94)		30,077				884	XXX	XXX
8399997. Total - Bonds - Part 4						82,332	82,332	82,032	81,419		955		955		82,332				2,249	XXX	XXX
8399998. Total - Bonds - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999. Total - Bonds						82,332	82,332	82,032	81,419		955		955		82,332				2,249	XXX	XXX
8999997. Total - Preferred Stocks - Part 4							XXX													XXX	XXX
8999998. Total - Preferred Stocks - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8999999. Total - Preferred Stocks							XXX													XXX	XXX
9799997. Total - Common Stocks - Part 4							XXX													XXX	XXX
9799998. Total - Common Stocks - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9799999. Total - Common Stocks							XXX													XXX	XXX
9999999. Total - Preferred and Common Stocks							XXX													XXX	XXX
9999999 - Totals						82,332	XXX	82,032	81,419		955		955		82,332				2,249	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues _____

Schedule DB - Part A - Section 1 - Options, Caps, Floors, Collars, Swaps and Forwards Open

NONE

Schedule DB - Part B - Section 1 - Futures Contracts Open

NONE

Schedule DB - Part B - Section 1B - Brokers with whom cash deposits have been made

NONE

Schedule DB - Part D - Counterparty Exposure for Derivative Instruments Open

NONE

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE National Merit Insurance Company

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
JPMorgan Chase White Plains, NY					185,833	235,512	107,353	XXX
0199998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Open Depositories	XXX	XXX						XXX
0199999. Totals - Open Depositories	XXX	XXX			185,833	235,512	107,353	XXX
0299998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Suspended Depositories	XXX	XXX						XXX
0299999. Totals - Suspended Depositories	XXX	XXX						XXX
0399999. Total Cash on Deposit	XXX	XXX			185,833	235,512	107,353	XXX
0499999. Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999. Total - Cash	XXX	XXX			185,833	235,512	107,353	XXX

STATEMENT AS OF SEPTEMBER 30, 2010 OF THE National Merit Insurance Company

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due and Accrued	8 Amount Received During Year
8699999 - Total Cash Equivalents							

NONE

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF JUNE 30, 2010

OF THE CONDITION AND AFFAIRS OF THE

National Merit Insurance Company

NAIC Group Code 0215 (Current) 1294 (Prior) NAIC Company Code 39004 Employer's ID Number 91-1119010

Organized under the Laws of Washington, State of Domicile or Port of Entry WA

Country of Domicile United States of America

Incorporated/Organized 08/20/1980 Commenced Business 12/31/1980

Statutory Home Office 1330 N. Washington St., Suite 2100 (Street and Number), Spokane, WA 99201 (City or Town, State and Zip Code)

Main Administrative Office 500 South Broad Street (Street and Number)

Meriden, CT 06450-1034 (City or Town, State and Zip Code), 203-634-7200 (Area Code) (Telephone Number)

Mail Address 500 South Broad Street (Street and Number or P.O. Box), Meriden, CT 06450-1034 (City or Town, State and Zip Code)

Primary Location of Books and Records 500 South Broad Street (Street and Number)

Meriden, CT 06450-1034 (City or Town, State and Zip Code), 203-634-7200 (Area Code) (Telephone Number)

Internet Web Site Address www.unitrin.com

Statutory Statement Contact Tara A. Rowe (Name), 904-245-5600 (Area Code) (Telephone Number)

usgstatutory@unitrin.com (E-mail Address), 904-245-5601 (FAX Number)

OFFICERS

Chairman of the Board	James Allen Schulte	Vice President	Clark Hubbard Roberts
President & CEO	Timothy Douglas Bruns	Vice President & Secretary	Margaret Lorraine O'Hara

OTHER

Ronald Edward Greco Vice President	David Michael Elkins Senior Vice President	Richard Eugene Saltzman # Senior Vice President

DIRECTORS OR TRUSTEES

Timothy Douglas Bruns	John Michael Boschelli	Samuel Lewis Fitzpatrick
Edward James Konar	Richard NMI Roeske	James Allen Schulte
Francis Joseph Sodaro		

State of Florida
County of Duval SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Timothy Douglas Bruns President & CEO	Clark Hubbard Roberts Vice President	Margaret Lorraine O'Hara Vice President & Secretary

Subscribed and sworn to before me this
_____ day of August, 2010

a. Is this an original filing? Yes [X] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	11,052,591		11,052,591	9,518,187
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	124,127		124,127	148,313
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less $ ____ encumbrances)				
4.2 Properties held for the production of income (less $ ____ encumbrances)				
4.3 Properties held for sale (less $ ____ encumbrances)				
5. Cash ($ 248,656), cash equivalents ($ 500,000) and short-term investments ($ 473,932)	1,322,588		1,322,588	3,007,751
6. Contract loans (including $ ____ premium notes)				
7. Derivatives				
8. Other invested assets				
9. Receivables for securities				
10. Aggregate write-ins for invested assets				
11. Subtotals, cash and invested assets (Lines 1 to 10)	12,499,306		12,499,306	12,674,251
12. Title plants less $ ____ charged off (for Title insurers only)				
13. Investment income due and accrued	107,030		107,030	95,330
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection	46,534		46,534	30,368
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ____ earned but unbilled premiums)	1,322,816		1,322,816	1,443,434
14.3 Accrued retrospective premiums				
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers	151,664		151,664	156,976
15.2 Funds held by or deposited with reinsured companies				
15.3 Other amounts receivable under reinsurance contracts				
16. Amounts receivable relating to uninsured plans				
17.1 Current federal and foreign income tax recoverable and interest thereon				
17.2 Net deferred tax asset	2,601,250	2,202,250	399,000	399,000
18. Guaranty funds receivable or on deposit				
19. Electronic data processing equipment and software				
20. Furniture and equipment, including health care delivery assets ($ ____)				
21. Net adjustment in assets and liabilities due to foreign exchange rates				
22. Receivables from parent, subsidiaries and affiliates				
23. Health care ($ ____) and other amounts receivable				
24. Aggregate write-ins for other than invested assets	12,276	3,870	8,406	38,823
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	16,740,877	2,206,120	14,534,757	14,838,179
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
27. Total (Lines 25 and 26)	16,740,877	2,206,120	14,534,757	14,838,179
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page				
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)				
2401. Premium tax receivable	8,406		8,406	38,823
2402. Prepaid expenses	3,870	3,870		
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	12,276	3,870	8,406	38,823

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $)		
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses		
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	3,547	2,508
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including $ on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money $ and interest thereon $		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 3,631,229 and including warranty reserves of $)		
10. Advance premium	112,581	113,257
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	2,202,190	2,183,938
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance	68,024	68,024
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	98,977	562,685
20. Derivatives		
21. Payable for securities		
22. Liability for amounts held under uninsured plans		
23. Capital notes $ and interest thereon $		
24. Aggregate write-ins for liabilities	52,366	43,920
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	2,537,685	2,974,331
26. Protected cell liabilities		
27. Total liabilities (Lines 25 and 26)	2,537,685	2,974,331
28. Aggregate write-ins for special surplus funds		
29. Common capital stock	3,000,000	3,000,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds	266,000	266,000
32. Surplus notes		
33. Gross paid in and contributed surplus	7,032,360	7,032,360
34. Unassigned funds (surplus)	1,698,712	1,565,488
35. Less treasury stock, at cost:		
35.1 shares common (value included in Line 29 $)		
35.2 shares preferred (value included in Line 30 $)		
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	11,997,072	11,863,848
37. Totals	14,534,757	14,838,179
DETAILS OF WRITE-INS		
2401. Escheat	52,366	43,920
2402.		
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page		
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	52,366	43,920
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page		
2899. Totals (Lines 2801 through 2803 plus 2898)(Line 28 above)		
3101. DTA admitted pursuant to paragraph 10.e. of SSAP No. 10R	266,000	266,000
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)	266,000	266,000

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 5,484,448)	5,749,432	6,983,338	13,388,751
1.2 Assumed (written $)		9,234,028	9,234,028
1.3 Ceded (written $ 5,484,448)	5,749,432	6,983,337	13,389,603
1.4 Net (written $)		9,234,028	9,233,176
DEDUCTIONS:			
2. Losses incurred (current accident year $):			
2.1 Direct	3,021,072	5,023,231	8,519,419
2.2 Assumed		8,567,269	8,401,848
2.3 Ceded	3,021,072	5,011,432	8,519,418
2.4 Net		8,579,068	8,401,849
3. Loss adjustment expenses incurred		834,933	784,224
4. Other underwriting expenses incurred	280	3,529,499	3,813,380
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	280	12,943,501	12,999,453
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1 minus Line 6 + Line 7)	(280)	(3,709,473)	(3,766,277)
INVESTMENT INCOME			
9. Net investment income earned	160,277	522,355	969,375
10. Net realized capital gains (losses) less capital gains tax of $	2	(559,557)	154,891
11. Net investment gain (loss) (Lines 9 + 10)	160,279	(37,202)	1,124,266
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)		(6,573)	(6,573)
13. Finance and service charges not included in premiums			56,804
14. Aggregate write-ins for miscellaneous income	89		838
15. Total other income (Lines 12 through 14)	89	(6,573)	51,070
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	160,089	(3,753,247)	(2,590,941)
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	160,089	(3,753,247)	(2,590,941)
19. Federal and foreign income taxes incurred			
20. Net income (Line 18 minus Line 19)(to Line 22)	160,089	(3,753,247)	(2,590,941)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	11,863,848	13,493,934	13,493,934
22. Net income (from Line 20)	160,089	(3,753,247)	(2,590,941)
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains (losses) less capital gains tax of $ (8,098)	(15,039)	328,139	409,514
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(68,441)	1,013,589	927,063
27. Change in nonadmitted assets	54,615	(836,899)	(346,884)
28. Change in provision for reinsurance			(68,024)
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			(226,814)
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus			266,000
38. Change in surplus as regards policyholders (Lines 22 through 37)	133,224	(3,248,419)	(1,630,086)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	11,997,072	10,245,515	11,863,848
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. Totals (Lines 0501 through 0503 plus 0598)(Line 5 above)			
1401. Miscellaneous income (expense)	89		838
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498)(Line 14 above)	89		838
3701. DTA admitted pursuant to paragraph 10.e. of SSAP No. 10R			266,000
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. Totals (Lines 3701 through 3703 plus 3798)(Line 37 above)			266,000

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	122,030	9,003,398	6,423,043
2. Net investment income	199,868	615,529	1,335,852
3. Miscellaneous income	89	(6,573)	51,070
4. Total (Lines 1 to 3)	321,987	9,612,354	7,810,065
5. Benefit and loss related payments	(5,312)	5,796,279	17,832,264
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	(759)	4,207,343	6,995,029
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ _____ tax on capital gains (losses)		(25,550)	(25,550)
10. Total (Lines 5 through 9)	(6,071)	9,977,971	24,801,642
11. Net cash from operations (Line 4 minus Line 10)	328,058	(365,617)	(16,991,577)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	307,489	2,910,269	17,591,319
12.2 Stocks			2,059,822
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments			
12.7 Miscellaneous proceeds		1,107,501	1,144,000
12.8 Total investment proceeds (Lines 12.1 to 12.7)	307,489	4,017,769	20,795,141
13. Cost of investments acquired (long-term only):			
13.1 Bonds	1,892,135	1,915,079	1,915,079
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications			
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,892,135	1,915,079	1,915,079
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(1,584,646)	2,102,691	18,880,062
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
16.2 Capital and paid in surplus, less treasury stock			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied)	(428,573)	(1,058,785)	(391,307)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(428,573)	(1,058,785)	(391,307)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,685,163)	678,289	1,497,178
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	3,007,751	1,510,573	1,510,573
19.2 End of period (Line 18 plus Line 19.1)	1,322,588	2,188,862	3,007,751

Note: Supplemental disclosures of cash flow information for non-cash transactions:

1. **Summary of Significant Accounting Policies**

A. Accounting Practices

The accompanying financial statements of National Merit Insurance Company ("the Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") Annual Statement Instructions and *Accounting Practices and Procedures Manual*, ("the NAIC Manual") and the laws of the State of Washington.

The Washington Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Washington for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Washington Insurance Law. The NAIC Manual has been adopted as a component of prescribed or permitted practices by the State of Washington. The Company has not adopted prescribed accounting practices that differ from those found in the NAIC Manual.

2. **Accounting Changes and Corrections of Errors** — No change.

3. **Business Combinations and Goodwill** — No change.

4. **Discontinued Operations** — No change.

5. **Investments**

D. (1) The fair value of loan-backed securities owned by the company was $1,185,525 as of June 30, 2010.

(2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or pricing services.

(3) The Company's loan-backed securities portfolio is concentrated in Ginnie Mae, Fannie Mae and/or Freddie Mac.

(4) The Company did not recognize any other-than-temporary-impairment losses on loan-backed securities in the first six months of 2010.

(5) The Company does not hold any loan-backed securities with a recognized other-than-temporary-impairment as of June 30, 2010.

(6) The Company does not hold any loan-backed securities in an unrealized loss position as of June 30, 2010.

(7) The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. Some factors considered in evaluating whether a decline in fair value is other than temporary include: 1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value; 2) the duration and extent to which the fair value has been less than cost; and 3) the financial condition and prospects of the issuer. Losses arising from other than temporary declines in fair value are computed on a specific identification method and are reported in the Statement of Income in the period in which the decline was determined to be other than temporary.

(8) The Company has obtained fair values for all of its securities.

6. **Joint Ventures, Partnerships and Limited Liability Companies** — No change.

7. **Investment Income** — No change.

8. **Derivative Instruments** — No change.

9. **Income Taxes** — No material or significant change.

10. **Information Concerning Parent, Subsidiaries and Affiliates**

D. Amounts Due to or from Related Parties:

The Company reported $98,977 payable to the Parent, Trinity Universal Insurance Company.

11. **Debt** — No change.

12. **Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plan: — No change.

B. Defined Contribution Plan: — No change.

C. Multiemployer Plan: — No change.

D. Consolidated/Holding Company Plans: — No change.

E. Postretirement Benefits and Compensated Absences: — No change.

13. **Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations** — No change.

14. Contingencies

The Management of the Company is unaware of legal or other contingencies, which Management believes would be reasonably likely to have a material adverse effect on the Company's financial statements.

15. Leases — No material or significant change.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk — No change.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales: — No change.

B. Transfers and Servicing of Financial Assets: — No change.

C. Wash Sales:
The Company has no wash sales.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans — No change.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators — No change.

20. Other Items — No change.

21. Events Subsequent — No change.

22. Reinsurance — No change.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination — No change.

24. Changes in Incurred Losses and Loss Adjustment Expenses

Property and casualty insurance reserves are estimates based on historical experience patterns and current economic trends. Actual loss experience and loss trends are likely to differ from these historical experience patterns and economic conditions. Loss experience and loss trends emerge over several years from the dates of loss inception. The Company monitors such emerging loss trends. Upon concluding, based on the data available, that an emerging loss trend will continue, the Company adjusts its property and casualty insurance reserves to reflect such trend. These changes in loss trend are reflected in the results of the period of change and included in the Company's financial statements net of reinsurance. The business to which this development relates is not retrospectively rated; therefore, they are not subject to premium adjustments.

25. Intercompany Pooling Arrangements — No change.

26. Structured Settlements — No material or significant change.

27. Health Care Receivables — No change.

28. Participating Policies — No change.

29. Premium Deficiency Reserves — No change.

30. High Deductibles — No change.

31. Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses — No change.

32. Asbestos/Environmental Reserves — No change.

33. Subscriber Savings Accounts — No change.

34. Multiple Peril Crop Insurance — No change.

35. Financial Guaranty Insurance

B. Financial Guaranty Insurance:
The Company does not write financial guaranty insurance.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

4.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [ ] N/A [X]
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2006

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2006

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/22/2008

6.4 By what department or departments?
Washington State Office of the Insurance Commissioner

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [ ] N/A [ ]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

7.2 If yes, give full information:

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No [ ]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Fireside Bank	Pleasanton, CA				YES	

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $

13. Amount of real estate and mortgages held in short-term investments: $

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	$	$
14.22 Preferred Stock	$	$
14.23 Common Stock	$	$
14.24 Short-Term Investments	$	$
14.25 Mortgage Loans on Real Estate	$	$
14.26 All Other	$	$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$	$
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
The Northern Trust Company	50 South LaSalle Street, Chicago, IL 60675

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

16.4 If yes, give full information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

17.2 If no, list exceptions:

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? _____ Yes [ ] No [ ] N/A [X]
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? _____ Yes [ ] No [X]
If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? _____ Yes [ ] No [X]

3.2 If yes, give full and complete information thereto.

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves") discounted at a rate of interest greater than zero? _____ Yes [ ] No [X]

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
		TOTAL								

5. Operating Percentages:

5.1 A&H loss percent _____ %

5.2 A&H cost containment percent _____ %

5.3 A&H expense percent excluding cost containment expenses _____ %

6.1 Do you act as a custodian for health savings accounts? _____ Yes [ ] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date _____ $ _____

6.3 Do you act as an administrator for health savings accounts? _____ Yes [ ] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date _____ $ _____

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.		1 Active Status	Direct Premiums Written 2 Current Year To Date	3 Prior Year To Date	Direct Losses Paid (Deducting Salvage) 4 Current Year To Date	5 Prior Year To Date	Direct Losses Unpaid 6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	N						
2. Alaska	AK	N						
3. Arizona	AZ	N						
4. Arkansas	AR	N						
5. California	CA	N						
6. Colorado	CO	N						
7. Connecticut	CT	N						
8. Delaware	DE	N						
9. District of Columbia	DC	N						
10. Florida	FL	N						
11. Georgia	GA	N						
12. Hawaii	HI	N						
13. Idaho	ID	L						
14. Illinois	IL	L						
15. Indiana	IN	N						
16. Iowa	IA	N						
17. Kansas	KS	N						
18. Kentucky	KY	N						
19. Louisiana	LA	N						
20. Maine	ME	N						
21. Maryland	MD	N						
22. Massachusetts	MA	N						
23. Michigan	MI	N						
24. Minnesota	MN	N						
25. Mississippi	MS	N						
26. Missouri	MO	N						
27. Montana	MT	N						
28. Nebraska	NE	N						
29. Nevada	NV	N						
30. New Hampshire	NH	N						
31. New Jersey	NJ	N						
32. New Mexico	NM	N						
33. New York	NY	L	1,877,925	2,144,239	1,233,773	1,653,252	2,428,242	3,334,163
34. North Carolina	NC	N						
35. North Dakota	ND	N						
36. Ohio	OH	N						
37. Oklahoma	OK	N						
38. Oregon	OR	L						
39. Pennsylvania	PA	L					7,776	(19,784)
40. Rhode Island	RI	N						
41. South Carolina	SC	N						
42. South Dakota	SD	N						
43. Tennessee	TN	N						
44. Texas	TX	N						
45. Utah	UT	N						
46. Vermont	VT	N						
47. Virginia	VA	N						
48. Washington	WA	L	3,605,523	4,518,584	2,683,888	3,505,223	6,681,535	8,408,166
49. West Virginia	WV	N						
50. Wisconsin	WI	N						
51. Wyoming	WY	N						
52. American Samoa	AS	N						
53. Guam	GU	N						
54. Puerto Rico	PR	N						
55. U.S. Virgin Islands	VI	N						
56. Nothern Mariana Islands	MP	N						
57. Canada	CN	N						
58. Aggregate Other Alien	OT	XXX						
59. Totals		(a) 6	5,484,448	6,662,823	3,917,661	5,158,475	9,117,553	11,720,545
DETAILS OF WRITE-INS								
5801.		XXX						
5802.		XXX						
5803.		XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page		XXX						
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)		XXX						

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

PART 1 - LOSS EXPERIENCE

	Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1.	Fire				
2.	Allied Lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril		9,591		
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine				
10.	Financial guaranty				
11.1	Medical professional liability - occurrence				
11.2	Medical professional liability - claims-made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health				
15.	Other accident and health				
16.	Workers' compensation				
17.1	Other liability - occurrence	12,657	62	0.4	504.4
17.2	Other liability - claims-made				
17.3	Excess workers' compensation				
18.1	Products liability - occurrence				
18.2	Products liability - claims-made				
19.1,19.2	Private passenger auto liability	3,169,793	1,348,667	42.7	109.1
19.3,19.4	Commercial auto liability				
21.	Auto physical damage	2,575,991	1,662,761	64.5	24.6
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business				
35.	Totals	5,749,432	3,021,072	52.5	71.9
	DETAILS OF WRITE-INS				
3401.					
3402.					
3403.					
3498.	Summary of remaining write-ins for Line 34 from overflow page				
3499.	Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)				

PART 2 - DIRECT PREMIUMS WRITTEN

	Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1.	Fire			
2.	Allied Lines			
3.	Farmowners multiple peril			
4.	Homeowners multiple peril			
5.	Commercial multiple peril			
6.	Mortgage guaranty			
8.	Ocean marine			
9.	Inland marine			
10.	Financial guaranty			
11.1	Medical professional liability - occurrence			
11.2	Medical professional liability - claims-made			
12.	Earthquake			
13.	Group accident and health			
14.	Credit accident and health			
15.	Other accident and health			
16.	Workers' compensation			
17.1	Other liability - occurrence	6,061	12,243	14,984
17.2	Other liability - claims-made			
17.3	Excess workers' compensation			
18.1	Products liability - occurrence			
18.2	Products liability - claims-made			
19.1,19.2	Private passenger auto liability	1,435,634	3,024,875	3,660,577
19.3,19.4	Commercial auto liability			
21.	Auto physical damage	1,180,472	2,447,330	2,987,263
22.	Aircraft (all perils)			
23.	Fidelity			
24.	Surety			
26.	Burglary and theft			
27.	Boiler and machinery			
28.	Credit			
29.	International			
30.	Warranty			
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business			
35.	Totals	2,622,187	5,484,448	6,662,823
	DETAILS OF WRITE-INS			
3401.				
3402.				
3403.				
3498.	Summary of remaining write-ins for Line 34 from overflow page			
3499.	Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)			

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1+2)	4 2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2010 Loss and LAE Payments (Cols. 4+5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols.7+8+9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols.4+7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5+8+9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11+12)
1. 2007 + Prior													
2. 2008													
3. Subtotals 2008 + Prior													
4. 2009													
5. Subtotals 2009 + Prior													
6. 2010	XXX	XXX	XXX	XXX			XXX				XXX	XXX	XXX
7. Totals													
8. Prior Year-End Surplus As Regards Policyholders	11,884										Col. 11, Line 7 As % of Col. 1 Line 7 1.	Col. 12, Line 7 As % of Col. 2 Line 7 2.	Col. 13, Line 7 As % of Col. 3 Line 7 3.
													Col. 13, Line 7 As a % of Col. 1 Line 8 4.

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific Interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanations:

1.

2.

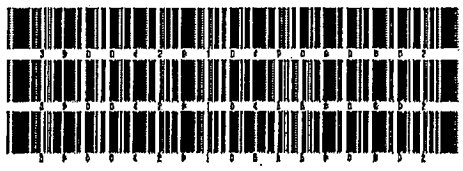
3.

Bar Codes:

1. Trusteed Surplus Statement [Document Identifier 490]

2. Supplement A to Schedule T [Document Identifier 455]

3. Medicare Part D Coverage Supplement [Document Identifier 365]



OVERFLOW PAGE FOR WRITE-INS

NONE

SCHEDULE A - VERIFICATION

Real Estate

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Current year change in encumbrances		
4. Total gain (loss) on disposals		
5. Deduct amounts received on disposals		
6. Total foreign exchange change in book/adjusted carrying value		
7. Deduct current year's other than temporary impairment recognized		
8. Deduct current year's depreciation		
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)		
10. Deduct total nonadmitted amounts		
11. Statement value at end of current period (Line 9 minus Line 10)		

SCHEDULE B - VERIFICATION

Mortgage Loans

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and mortgage interest points and commitment fees		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		
10. Deduct current year's other than temporary impairment recognized		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8-9-10)		
12. Total valuation allowance		
13. Subtotal (Line 11 plus Line 12)		
14. Deduct total nonadmitted amounts		
15. Statement value at end of current period (Line 13 minus Line 14)		

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

NONE

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount		
5. Unrealized valuation increase (decrease)		
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other than temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)		
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)		

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	9,666,498	26,782,798
2. Cost of bonds and stocks acquired	1,892,136	1,915,079
3. Accrual of discount	6,640	6,141
4. Unrealized valuation increase (decrease)	(23,137)	630,021
5. Total gain (loss) on disposals		154,891
6. Deduct consideration for bonds and stocks disposed of	307,489	19,651,141
7. Deduct amortization of premium	57,931	171,289
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	11,176,718	9,666,498
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	11,176,718	9,666,498

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	11,521,397	20,683,022	20,052,107	(25,789)	11,521,397	12,126,523		12,239,873
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	11,521,397	20,683,022	20,052,107	(25,789)	11,521,397	12,126,523		12,239,873
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds and Preferred Stock	11,521,397	20,683,022	20,052,107	(25,789)	11,521,397	12,126,523		12,239,873

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $ _____ ; NAIC 2 $ _____ ; NAIC 3 $ _____ ;
NAIC 4 $ _____ ; NAIC 5 $ _____ ; NAIC 6 $ _____

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year-to-Date	5 Paid for Accrued Interest Year-to-Date
9199999 Totals	473,932	XXX	473,932	165	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,501,690	966,098
2. Cost of short-term investments acquired	12,630,542	12,257,680
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	13,658,300	11,719,865
7. Deduct amortization of premium		2,223
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	473,932	1,501,690
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	473,932	1,501,690

Schedule DB - Part A - Verification - Options, Caps, Floors, Collars, Swaps and Forwards

NONE

Schedule DB - Part B - Verification - Futures Contracts

NONE

Schedule DB - Part C - Section 1 - Replication (Synthetic Asset) Transactions (RSATs) Open

NONE

Schedule DB - Part C - Section 2 - Reconciliation of Replication (Synthetic Asset) Transactions Open

NONE

Schedule DB - Verification - Book/Adjusted Carrying Value, Fair Value and Potential Exposure of Derivatives

NONE

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1,219,995	
2. Cost of cash equivalents acquired	18,629,221	1,219,995
3. Accrual of discount	782	1
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals	2	
6. Deduct consideration received on disposals	19,250,001	
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	600,000	1,219,996
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	600,000	1,219,996

Schedule A - Part 2 - Real Estate Acquired and Additions Made

NONE

Schedule A - Part 3 - Real Estate Disposed

NONE

Schedule B - Part 2 - Mortgage Loans Acquired

NONE

Schedule B - Part 3 - Mortgage Loans Disposed, Transferred or Repaid

NONE

Schedule BA - Part 2 - Other Long-Term Invested Assets Acquired

NONE

Schedule BA - Part 3 - Other Long-Term Invested Assets Disposed, Transferred or Repaid

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
341535-G3-8	FLORIDA ST BOARD EDUCATION		05/14/2010	BARCLAYS BANK		517,970	500,000	11,667	1FE
762221-1N-7	RHODE ISLAND STATE		05/13/2010	BARCLAYS BANK		532,700	500,000		1FE
939742-LU-8	WASHINGTON STATE		05/12/2010	BARCLAYS BANK		265,869	250,000	3,765	1FE
1799999. Bonds - U.S. States, Territories and Possessions						1,318,545	1,250,000	15,432	XXX
576051-EB-1	MASSACHUSETTS ST WTR RES AUTH		05/18/2010	BARCLAYS BANK		575,469	540,000	1,125	1FE
3199999. Bonds - U.S. Special Revenues						575,469	540,000	1,125	XXX
8399997. Total - Bonds - Part 3						1,892,137	1,790,000	16,577	XXX
8399998. Total - Bonds - Part 5						XXX	XXX	XXX	XXX
8399999. Total - Bonds						1,892,137	1,790,000	16,577	XXX
8999997. Total - Preferred Stocks - Part 3							XXX		XXX
8999998. Total - Preferred Stocks - Part 5						XXX	XXX	XXX	XXX
8999999. Total - Preferred Stocks							XXX		XXX
9799997. Total - Common Stocks - Part 3							XXX		XXX
9799998. Total - Common Stocks - Part 5						XXX	XXX	XXX	XXX
9799999. Total - Common Stocks							XXX		XXX
9899999. Total - Preferred and Common Stocks							XXX		XXX
9999999 - Totals						1,892,137	XXX	16,577	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues _____

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value 11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13)	Total Foreign Exchange Change in Book /Adjusted Carrying Value	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
36373M-G4-8	GINNIE MAE 2007-34		06/01/2010	MBS PAYDOWN		11,570	11,570	11,310	11,562		8		8		11,570				263	11/01/2026	1
36373M-H3-7	GINNIE MAE 2007-45		06/01/2010	MBS PAYDOWN		28,703	28,703	25,602	31,094		2,609		2,609		28,703				269	05/01/2021	1
36373M-X2-7	GINNIE MAE 2007-52		06/01/2010	MBS PAYDOWN		941	941	914	940		1		1		941				15	01/01/2018	1
36373M-LF-6	GINNIE MAE 2004-67		06/01/2010	MBS PAYDOWN		12,408	12,408	12,199	12,287		121		121		12,408				129	01/01/2019	1
36373M-HJ-5	GINNIE MAE 2005-12		06/01/2010	MBS PAYDOWN		1,595	1,595	1,595	1,595						1,595				27	05/01/2021	1
36373M-HH-7	GINNIE MAE 2005-9		06/01/2010	MBS PAYDOWN		5,257	5,257	5,249	5,257						5,257				72	05/01/2022	1
36373M-QB-9	GINNIE MAE 2005-34		06/01/2010	MBS PAYDOWN		358	358	355	358						358				6	09/01/2021	1
36373M-RJ-6	GINNIE MAE 2005-67		06/01/2010	MBS PAYDOWN		294	294	288	294						294				5	03/01/2025	1
36373M-SP-5	GINNIE MAE 2006-8		06/01/2010	MBS PAYDOWN		4,328	4,328	4,242	4,324		4		4		4,328				73	10/01/2023	1
36373M-SX-8	GINNIE MAE 2006-5		06/01/2010	MBS PAYDOWN		445	445	436	445						445				8	07/01/2029	1
36373M-T0-2	GINNIE MAE 2006-9		06/01/2010	MBS PAYDOWN		1,244	1,244	1,207	1,239		5		5		1,244				25	09/01/2026	1
36373M-T2-3	GINNIE MAE 2006-19		06/01/2010	MBS PAYDOWN		8,733	8,733	8,299	8,721		12		12		8,733				125	09/01/2030	1
36373M-V0-1	GINNIE MAE 2006-59		06/01/2010	MBS PAYDOWN		8,238	8,238	7,908	8,167		70		70		8,238				117	06/01/2025	1
36373M-Y5-5	GINNIE MAE 2007-13		06/01/2010	MBS PAYDOWN		955	955	936	955						955				17	11/01/2029	1
36373M-7H-1	GINNIE MAE 2003-48		06/01/2010	MBS PAYDOWN		856	856	836	859		7		7		866				13	02/01/2030	1
36374G-5F-5	GINNIE MAE 2004-43		06/01/2010	MBS PAYDOWN		1,305	1,305	1,248	1,294		11		11		1,305				15	12/01/2019	1
36374J-F9-7	GINNIE MAE 2004-77		06/01/2010	MBS PAYDOWN		11,607	11,607	11,641	11,563		44		44		11,607				159	03/01/2030	1
36374H-E5-5	GINNIE MAE 2005-70		06/01/2010	MBS PAYDOWN		548	548	521	547		1		1		548				11	05/01/2030	1
36374H-3K-3	GINNIE MAE 2005-42		06/01/2010	MBS PAYDOWN		777	777	730	776		1		1		777				11	10/01/2029	1
0399999. Bonds - U.S. Governments						106,572	106,572	105,391	105,677		2,894		2,894		106,572				1,459	XXX	XXX
31371L-X5-4	FANNIE MAE 255488		06/01/2010	MBS PAYDOWN		746	746	758	748		(1)		(1)		746				17	10/01/2011	1
31403V-U1-0	FANNIE MAE 752284		06/01/2010	MBS PAYDOWN		4,553	4,553	4,713	4,553						4,553				84	01/01/2034	1
31403B-LU-9	FANNIE MAE 763385		06/01/2010	MBS PAYDOWN		9,217	9,217	9,391	9,224		(7)		(7)		9,217				122	01/01/2034	1
31403E-LX-2	FANNIE MAE 765342		06/01/2010	MBS PAYDOWN		8,411	8,411	8,854	8,424		(13)		(13)		8,411				167	03/01/2019	1
31403E-S3-1	FANNIE MAE 766533		06/01/2010	MBS PAYDOWN		8,449	8,449	8,707	8,464		(15)		(15)		8,449				190	03/01/2019	1
31413G-H2-4	FANNIE MAE 841095		06/01/2010	MBS PAYDOWN		7,322	7,322	7,419	7,322		1		1		7,322				181	07/01/2022	1
31415C-H6-1	FANNIE MAE 932881		06/01/2010	MBS PAYDOWN		6,548	6,548	6,750	6,556		(7)		(7)		6,548				153	05/01/2023	1
3199999. Bonds - U.S. Special Revenues						45,255	45,255	46,393	45,293		(42)		(42)		45,255				904	XXX	XXX
8399997. Total - Bonds - Part 4						153,827	153,827	151,984	150,976		2,852		2,852		153,827				2,363	XXX	XXX
8399998. Total - Bonds - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8399999. Total - Bonds						153,827	153,827	151,984	150,976		2,852		2,852		153,827				2,363	XXX	XXX
8999997. Total - Preferred Stocks - Part 4							XXX													XXX	XXX
8999998. Total - Preferred Stocks - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8999999. Total - Preferred Stocks							XXX													XXX	XXX
9799997. Total - Common Stocks - Part 4							XXX													XXX	XXX
9799998. Total - Common Stocks - Part 5						XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9799999. Total - Common Stocks							XXX													XXX	XXX
9899999. Total - Preferred and Common Stocks							XXX													XXX	XXX
9999999 - Totals						153,827	XXX	151,984	150,976		2,852		2,852		153,827				2,363	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues_____

Schedule DB - Part A - Section 1 - Options, Caps, Floors, Collars, Swaps and Forwards Open

NONE

Schedule DB - Part B - Section 1 - Futures Contracts Open

NONE

Schedule DB - Part B - Section 1B - Brokers with whom cash deposits have been made

NONE

Schedule DB - Part D - Counterparty Exposure for Derivative Instruments Open

NONE

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
JPMorgan Chase White Plains, NY					1,168,540	515,133	248,656	XXX
0199998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Open Depositories	XXX	XXX						XXX
0199999. Totals - Open Depositories	XXX	XXX			1,168,540	515,133	248,656	XXX
0299998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Suspended Depositories	XXX	XXX						XXX
0299999. Totals - Suspended Depositories	XXX	XXX						XXX
0399999. Total Cash on Deposit	XXX	XXX			1,168,540	515,133	248,656	XXX
0499999. Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
0599999. Total - Cash	XXX	XXX			1,168,540	515,133	248,656	XXX

STATEMENT AS OF JUNE 30, 2010 OF THE National Merit Insurance Company

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due and Accrued	8 Amount Received During Year
US TREASURY BILL		06/17/2010	0.015	07/01/2010	600,000		4
0199999. U.S. Governments - Issuer Obligations					600,000		4
0399999. Total - U.S. Government Bonds					600,000		4
1099999. Total - All Other Government Bonds							
1799999. Total - U.S. States, Territories and Possessions Bonds							
2499999. Total - U.S. Political Subdivisions of States, Territories and Possessions Bonds							
3199999. Total - U.S. Special Revenues Bonds							
3899999. Total - Industrial and Miscellaneous Bonds (Unaffiliated)							
4199999. Total - Credit Tenant Loans							
4899999. Total - Hybrid Securities							
5599999. Total - Parent, Subsidiaries and Affiliates Bonds							
7799999. Total - Issuer Obligations					600,000		4
7899999. Total - Single Class Mortgage-Backed/Asset-Backed Securities							
7999999. Total - Defined Multi-Class Residential Mortgage-Backed Securities							
8099999. Total - Other Multi-Class Residential Mortgage-Backed Securities							
8199999. Total - Defined Multi-Class Commercial Mortgage-Backed Securities							
8299999. Total - Other Multi-Class Commercial Mortgage-Backed/Asset-Backed Securities							
8399999. Total Bonds					600,000		4
8699999 - Total Cash Equivalents					600,000		4

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

National Merit Insurance Company

NAIC Group Code 0215 (Current) 1234 (Prior) NAIC Company Code 39004 Employer's ID Number 91-1119010

Organized under the Laws of Washington, State of Domicile or Port of Entry WA

Country of Domicile United States of America

Incorporated/Organized 06/16/1980 Commenced Business 12/31/1980

Statutory Home Office 1330 N. Washington St., Suite 2100 (Street and Number), Spokane, WA 99201 (City or Town, State and Zip Code)

Main Administrative Office 500 South Broad Street (Street and Number)

Meriden, CT 06450-1034 (City or Town, State and Zip Code), 203-634-7200 (Area Code) (Telephone Number)

Mail Address 500 South Broad Street (Street and Number or P.O. Box), Meriden, CT 06450-1034 (City or Town, State and Zip Code)

Primary Location of Books and Records 500 South Broad Street (Street and Number)

Meriden, CT 06450-1034 (City or Town, State and Zip Code), 203-634-7200 (Area Code) (Telephone Number)

Internet Website Address www.unitrin.com

Statutory Statement Contact Clark Hubbard Roberts (Name), 904-245-5600 (Area Code) (Telephone Number)

usastatutory@unitrin.com (E-mail Address), 904-245-5601 (FAX Number)

OFFICERS

Chairman of the Board	James Allen Schulte #	Vice President	Clark Hubbard Roberts #
President & CEO	Timothy Douglas Bruns #	Secretary	Margaret Lorraine O'Hara #

OTHER

Ronald Edward Greco # Vice President, David Michael Elkins # Senior Vice President

DIRECTORS OR TRUSTEES

Timothy Douglas Bruns #	John Michael Boschelli #	Samuel Lewis Fitzpatrick #
Edward James Konar #	Richard NMI Roeske #	James Allen Schulte #
Francis Joseph Sodaro #		

State of Florida
County of Duval SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Timothy Douglas Bruns President & CEO	Clark Hubbard Roberts Vice President	Margaret Lorraine O'Hara Secretary

Subscribed and sworn to before me this
_____ day of February, 2010

a. Is this an original filing? Yes [X] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	9,518,187		9,518,187	24,565,076
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	148,313		148,313	2,217,719
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ ____ encumbrances)				
4.2 Properties held for the production of income (less $ ____ encumbrances)				
4.3 Properties held for sale (less $ ____ encumbrances)				
5. Cash ($ 286,061 , Schedule E - Part 1), cash equivalents ($ 1,219,996 , Schedule E - Part 2) and short-term investments ($ 1,501,690 , Schedule DA)	3,007,751		3,007,751	1,510,573
6. Contract loans (including $ ____ premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				1,144,000
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	12,674,251		12,674,251	29,437,368
11. Title plants less $ ____ charged off (for Title insurers only)				
12. Investment income due and accrued	95,330		95,330	296,759
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	30,366		30,366	177,583
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ ____ earned but unbilled premiums)	1,443,434		1,443,434	2,888,796
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	156,976		156,976	323,282
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				25,650
16.2 Net deferred tax asset	2,659,593	2,260,593	399,000	
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets ($ ____)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				1,354
22. Health care ($ ____) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	38,965	142	38,823	
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	17,098,915	2,260,735	14,838,179	33,150,792
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	17,098,915	2,260,735	14,838,179	33,150,792
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)				
2301. Premium tax receivable	38,823		38,823	
2302. Prepaid expenses	142	142		
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	38,965	142	38,823	

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)		9,596,721
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		2,360,169
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	2,508	38,613
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		1,130
7.1 Current federal and foreign income taxes (including $ _____ on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money $ _____ and interest thereon $ _____		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 3,895,213 and including warranty reserves of $ _____)		6,544,470
10. Advance premium	113,257	145,962
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	2,183,938	9,472
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		110
16. Provision for reinsurance (Schedule F, Part 7)	68,024	
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	552,685	882,855
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes $ _____ and interest thereon $ _____		
23. Aggregate write-ins for liabilities	43,920	77,335
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	2,974,331	19,656,858
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	2,974,331	19,656,858
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	3,000,000	3,000,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds	266,000	
31. Surplus notes		
32. Gross paid in and contributed surplus	7,032,360	7,032,360
33. Unassigned funds (surplus)	1,565,488	3,461,574
34. Less treasury stock, at cost:		
34.1 _____ shares common (value included in Line 28 $ _____)		
34.2 _____ shares preferred (value included in Line 29 $ _____)		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	11,863,848	13,493,934
36. TOTALS (Page 2, Line 26, Col. 3)	14,838,179	33,150,792
DETAILS OF WRITE-INS		
2301. LAD fees		34,246
2302. Escheat	43,920	43,089
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	43,920	77,335
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above)		
3001. DTA admitted pursuant to paragraph 10.a. of SSAP No. 10R	266,000	
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	266,000	

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	9,233,176	19,604,285
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	8,401,849	13,888,327
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	784,224	2,460,176
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	3,813,380	6,472,186
5.	Aggregate write-ins for underwriting deductions		
6.	Total underwriting deductions (Lines 2 through 5)	12,999,453	22,820,689
7.	Net income of protected cells		
8.	Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	(3,766,277)	(3,316,404)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	969,376	1,097,424
10.	Net realized capital gains or (losses) less capital gains tax of $ _____ (Exhibit of Capital Gains (Losses))	154,891	65,721
11.	Net investment gain (loss) (Lines 9 + 10)	1,124,266	1,163,145
	OTHER INCOME		
12.	Net gain or (loss) from agents' or premium balances charged off (amount recovered $ _____ amount charged off $ 6,573)	(6,573)	(23,916)
13.	Finance and service charges not included in premiums	56,804	129,820
14.	Aggregate write-ins for miscellaneous income	838	9,900
15.	Total other income (Lines 12 through 14)	51,070	115,804
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(2,590,941)	(2,037,455)
17.	Dividends to policyholders		
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(2,590,941)	(2,037,455)
19.	Federal and foreign income taxes incurred		(22,771)
20.	Net income (Line 18 minus Line 19)(to Line 22)	(2,590,941)	(2,014,684)
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 35, Column 2)	13,493,934	17,046,878
22.	Net income (from Line 20)	(2,590,941)	(2,014,684)
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ 220,507	409,514	(904,345)
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax	927,063	697,652
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(346,884)	(1,331,567)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	(68,024)	
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from protected cells		
31.	Cumulative effect of changes in accounting principles	(226,814)	
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in		
	33.2 Transferred to capital (Stock Dividend)		
	33.3 Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	266,000	
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,630,086)	(3,582,944)
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	11,863,848	13,493,934
	DETAILS OF WRITE-INS		
0501.			
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 5 from overflow page		
0599.	Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above)		
1401.	Miscellaneous Income	838	9,900
1402.			
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page		
1499.	Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	838	9,900
3701.	DTA admitted pursuant to paragraph 10.e. of SSAP No. 10R	266,000	
3702.			
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page		
3799.	Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above)	266,000	

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	6,423,043	19,621,183
2. Net investment income	1,335,952	1,234,877
3. Miscellaneous income	51,070	115,804
4. Total (Lines 1 through 3)	7,810,065	20,971,864
5. Benefit and loss related payments	17,832,264	14,264,114
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	6,995,029	8,965,520
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $ ..... tax on capital gains (losses)	(25,650)	(2,248)
10. Total (Lines 5 through 9)	24,801,642	23,228,486
11. Net cash from operations (Line 4 minus Line 10)	(16,991,577)	(2,256,622)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	17,591,319	13,635,839
12.2 Stocks	2,059,822	1,099,860
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	1,144,000	135,818
12.8 Total investment proceeds (Lines 12.1 to 12.7)	20,795,141	14,871,017
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,915,079	11,250,212
13.2 Stocks		570,030
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		1,253,976
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,915,079	13,074,218
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	18,880,062	1,796,799
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	(391,307)	1,510,172
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(391,307)	1,510,172
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,497,178	1,050,349
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,510,573	460,224
19.2 End of period (Line 18 plus Line 19.1)	3,007,751	1,510,573

Note: Supplemental disclosures of cash flow information for non-cash transactions:

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire		(1)		(1)
2.	Allied lines				
3.	Farmowners multiple peril				
4.	Homeowners multiple peril		(1)		(1)
5.	Commercial multiple peril				
6.	Mortgage guaranty				
8.	Ocean marine				
9.	Inland marine		(4)		(4)
10.	Financial guaranty				
11.1	Medical professional liability - occurrence				
11.2	Medical professional liability - claims-made				
12.	Earthquake				
13.	Group accident and health				
14.	Credit accident and health (group and individual)				
15.	Other accident and health				
16.	Workers' compensation				
17.1	Other liability - occurrence	(441)	2,880		2,439
17.2	Other liability - claims-made				
17.3	Excess workers' compensation				
18.1	Products liability - occurrence				
18.2	Products liability - claims-made				
19.1, 19.2	Private passenger auto liability	1,644,290	3,937,136		5,581,426
19.3, 19.4	Commercial auto liability				
21.	Auto physical damage	1,044,858	2,604,460		3,649,318
22.	Aircraft (all perils)				
23.	Fidelity				
24.	Surety				
26.	Burglary and theft				
27.	Boiler and machinery				
28.	Credit				
29.	International				
30.	Warranty				
31.	Reinsurance - Nonproportional Assumed Property				
32.	Reinsurance - Nonproportional Assumed Liability				
33.	Reinsurance - Nonproportional Assumed Financial Lines				
34.	Aggregate write-ins for other lines of business				
35.	TOTALS	2,688,706	6,544,470		9,233,176
	DETAILS OF WRITE-INS				
3401.					
3402.					
3403.					
3498.	Summary of remaining write-ins for Line 34 from overflow page				
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

	Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire					
2.	Allied lines					
3.	Farmowners multiple peril					
4.	Homeowners multiple peril					
5.	Commercial multiple peril					
6.	Mortgage guaranty					
8.	Ocean marine					
9.	Inland marine					
10.	Financial guaranty					
11.1	Medical professional liability - occurrence					
11.2	Medical professional liability - claims-made					
12.	Earthquake					
13.	Group accident and health					
14.	Credit accident and health (group and individual)					
15.	Other accident and health					
16.	Workers' compensation					
17.1	Other liability - occurrence					
17.2	Other liability - claims-made					
17.3	Excess workers' compensation					
18.1	Products liability - occurrence					
18.2	Products liability - claims-made					
19.1, 19.2	Private passenger auto liability					
19.3, 19.4	Commercial auto liability					
21.	Auto physical damage					
22.	Aircraft (all perils)					
23.	Fidelity					
24.	Surety					
26.	Burglary and theft					
27.	Boiler and machinery					
28.	Credit					
29.	International					
30.	Warranty					
31.	Reinsurance - Nonproportional Assumed Property					
32.	Reinsurance - Nonproportional Assumed Liability					
33.	Reinsurance - Nonproportional Assumed Financial Lines					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS					
36.	Accrued retrospective premiums based on experience					
37.	Earned but unbilled premiums					
38.	Balance (Sum of Line 35 through 37)					
	DETAILS OF WRITE-INS					
3401.						
3402.						
3403.						
3498.	Summary of remaining write-ins for Line 34 from overflow page					
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)					

NONE

(a) State here basis of computation used in each case

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

	Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	 5 To Non-Affiliates	6 Net Premiums Written Cols. 1+2+3-4-5
1.	Fire						
2.	Allied lines						
3.	Farmowners multiple peril						
4.	Homeowners multiple peril						
5.	Commercial multiple peril						
6.	Mortgage guaranty						
8.	Ocean marine						
9.	Inland marine						
10.	Financial guaranty						
11.1	Medical professional liability - occurrence						
11.2	Medical professional liability - claims-made						
12.	Earthquake						
13.	Group accident and health						
14.	Credit accident and health (group and individual)						
15.	Other accident and health						
16.	Workers' compensation						
17.1	Other liability - occurrence	28,787	(441)		1,283	27,504	(441)
17.2	Other liability - claims-made						
17.3	Excess workers' compensation						
18.1	Products liability - occurrence						
18.2	Products liability - claims-made						
19.1, 19.2	Private passenger auto liability	6,914,559	1,645,146		6,875,334	40,081	1,644,290
19.3, 19.4	Commercial auto liability						
21.	Auto physical damage	5,657,579	1,044,858		5,555,807	101,773	1,044,858
22.	Aircraft (all perils)						
23.	Fidelity						
24.	Surety						
26.	Burglary and theft						
27.	Boiler and machinery						
28.	Credit						
29.	International						
30.	Warranty						
31.	Reinsurance - Nonproportional Assumed Property	XXX					
32.	Reinsurance - Nonproportional Assumed Liability	XXX					
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX					
34.	Aggregate write-ins for other lines of business						
35.	TOTALS	12,610,925	2,689,563		12,442,424	169,357	2,688,706
	DETAILS OF WRITE-INS						
3401.							
3402.							
3403.							
3498.	Summary of remaining write-ins for Line 34 from overflow page						
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [X]

If yes: 1. The amount of such installment premiums $ _____

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis $ _____

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE National Merit Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

	Line of Business	Losses Paid Less Salvage 1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1+2-3)	5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4+5-6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1.	Fire								
2.	Allied lines						(115)	115	
3.	Farmowners multiple peril								
4.	Homeowners multiple peril	20,000	9,697	20,000	9,697		131,936	(122,239)	12,223,917.0
5.	Commercial multiple peril								
6.	Mortgage guaranty								
8.	Ocean marine								
9.	Inland marine						89	(89)	2,209.0
10.	Financial guaranty								
11.1	Medical professional liability - occurrence								
11.2	Medical professional liability - claims-made								
12.	Earthquake								
13.	Group accident and health								
14.	Credit accident and health (group and individual)								
15.	Other accident and health								
16.	Workers' compensation								
17.1	Other liability - occurrence		24,452		24,452		(100,482)	124,934	5,123.0
17.2	Other liability - claims-made								
17.3	Excess workers' compensation								
18.1	Products liability - occurrence								
18.2	Products liability - claims-made								
19.1, 19.2	Private passenger auto liability	8,163,585	15,970,808	8,087,521	16,046,850		9,549,592	6,503,258	116.6
19.3, 19.4	Commercial auto liability								
21.	Auto physical damage	2,177,499	1,993,615	2,253,543	1,917,571		24,702	1,892,869	51.9
22.	Aircraft (all perils)								
23.	Fidelity								
24.	Surety								
26.	Burglary and theft								
27.	Boiler and machinery								
28.	Credit								
29.	International								
30.	Warranty								
31.	Reinsurance - Nonproportional Assumed Property	XXX							
32.	Reinsurance - Nonproportional Assumed Liability	XXX							
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX							
34.	Aggregate write-ins for other lines of business								
35.	TOTALS	10,361,084	17,999,570	10,361,084	17,999,570		9,595,721	8,401,849	91.0
	DETAILS OF WRITE-INS								
3401.									
3402.									
3403.									
3498.	Summary of remaining write-ins for Line 34 from overflow page								
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)								

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE National Merit Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

	Line of Business	Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1.	Fire									
2.	Allied lines									
3.	Farmowners multiple peril									
4.	Homeowners multiple peril	25,000		25,000		9,591		9,591		
5.	Commercial multiple peril									
6.	Mortgage guaranty									
8.	Ocean marine									
9.	Inland marine									
10.	Financial guaranty									
11.1	Medical professional liability - occurrence									
11.2	Medical professional liability - claims-made									
12.	Earthquake									
13.	Group accident and health									
14.	Credit accident and health (group and individual)								(a)	
15.	Other accident and health									
16.	Workers' compensation								(a)	
17.1	Other liability - occurrence									
17.2	Other liability - claims-made					109,036		109,036		
17.3	Excess workers' compensation									
18.1	Products liability - occurrence									
18.2	Products liability - claims-made									
19.1, 19.2	Private passenger auto liability	5,332,427		5,332,427		4,858,550		4,858,550		
19.3, 19.4	Commercial auto liability									
21.	Auto physical damage	53,303		53,303		(383,764)		(383,764)		
22.	Aircraft (all perils)									
23.	Fidelity									
24.	Surety									
26.	Burglary and theft									
27.	Boiler and machinery									
28.	Credit									
29.	International									
30.	Warranty									
31.	Reinsurance - Nonproportional Assumed Property	XXX				XXX				
32.	Reinsurance - Nonproportional Assumed Liability	XXX				XXX				
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX				XXX				
34.	Aggregate write-ins for other lines of business									
35.	TOTALS	5,420,729		5,420,729		4,593,413		4,593,413		
	DETAILS OF WRITE-INS									
3401.										
3402.										
3403.										
3498.	Summary of remaining write-ins for Line 34 from overflow page									
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)									

(a) Including $ _____ for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	335,114			335,114
1.2 Reinsurance assumed	363,620			363,620
1.3 Reinsurance ceded	335,115			335,115
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	363,619			363,619
2. Commission and brokerage:				
2.1 Direct excluding contingent		250		250
2.2 Reinsurance assumed excluding contingent		52,002		52,002
2.3 Reinsurance ceded excluding contingent		250		250
2.4 Contingent - direct				
2.5 Contingent - reinsurance assumed		11,038		11,038
2.6 Contingent - reinsurance ceded				
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		63,039		63,039
3. Allowances to managers and agents				
4. Advertising		47,734		47,734
5. Boards, bureaus and associations	3,323	39,205		42,527
6. Surveys and underwriting reports		132,518		132,518
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries	228,641	1,733,609		1,962,250
8.2 Payroll taxes	18,128	89,796		107,924
9. Employee relations and welfare	42,523	236,728		279,251
10. Insurance	42	34,778		34,820
11. Directors' fees				
12. Travel and travel items	6,477	8,220		14,698
13. Rent and rent items	53,837	238,195		292,032
14. Equipment	5,720	21,705		27,425
15. Cost or depreciation of EDP equipment and software	11,903	246,933		258,836
16. Printing and stationery	3,491	32,273		35,764
17. Postage, telephone and telegraph, exchange and express	27,466	140,216		167,682
18. Legal and auditing	589	22,530		23,119
19. Totals (Lines 3 to 18)	402,141	3,024,439		3,426,579
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $		123,034		123,034
20.2 Insurance department licenses and fees		145,127		145,127
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)		571		571
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)		268,732		268,732
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	18,465	457,170	25,271	500,905
25. Total expenses incurred	784,224	3,813,380	25,271	(a) 4,622,875
26. Less unpaid expenses - current year		(36,456)		(36,456)
27. Add unpaid expenses - prior year	2,360,189	2,743	37,000	2,399,932
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	3,144,413	3,852,579	62,271	7,059,263
DETAILS OF WRITE-INS				
2401. Outside services	2,397	212,229		214,626
2402. Miscellaneous	15,983	164,302		180,285
2403. Bank charges	42	79,211	1,500	80,753
2498. Summary of remaining write-ins for Line 24 from overflow page	42	1,428	23,771	25,240
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	18,465	457,170	25,271	500,905

(a) Includes management fees of $ _____ to affiliates and $ _____ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 629,337	430,949
1.1	Bonds exempt from U.S. tax	(a) 51,830	51,177
1.2	Other bonds (unaffiliated)	(a) 626,149	476,972
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated)	40,058	31,128
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5	Contract loans		
6	Cash, cash equivalents and short-term investments	(e) 16,075	4,421
7	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	1,363,448	994,646
11.	Investment expenses		(g) 25,271
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		25,271
17.	Net investment income (Line 10 minus Line 16)		969,375
	DETAILS OF WRITE-INS		
0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)		
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		

(a) Includes $ 6,141 accrual of discount less $ 171,289 amortization of premium and less $ 170 paid for accrued interest on purchases.

(b) Includes $ _____ accrual of discount less $ _____ amortization of premium and less $ _____ paid for accrued dividends on purchases.

(c) Includes $ _____ accrual of discount less $ _____ amortization of premium and less $ _____ paid for accrued interest on purchases.

(d) Includes $ _____ for company's occupancy of its own buildings; and excludes $ _____ interest on encumbrances.

(e) Includes $ 1 accrual of discount less $ 2,223 amortization of premium and less $ _____ paid for accrued interest on purchases.

(f) Includes $ _____ accrual of discount less $ _____ amortization of premium.

(g) Includes $ _____ investment expenses and $ _____ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes $ _____ interest on surplus notes and $ _____ interest on capital notes.

(i) Includes $ _____ depreciation on real estate and $ _____ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	182,107		182,107	(479)	
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)	612,857		612,857		
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)	(640,083)		(640,083)	630,500	
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash, cash equivalents and short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses)	154,891		154,891	630,021	
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)					

EXHIBIT OF NON-ADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	2,260,593	2,179,851	(80,742)
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	142		(142)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	2,260,735	2,179,851	(80,884)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	2,260,735	2,179,851	(80,884)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)			
2301. Prepaid expenses	142		(142)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	142		(142)

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of National Merit Insurance Company ("the Company") have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") Annual Statement Instructions and *Accounting Practices and Procedures Manual*, ("the NAIC Manual") and the laws of the State of Washington.

The Washington Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Washington for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Washington Insurance Law. The NAIC Manual has been adopted as a component of prescribed or permitted practices by the State of Washington. The Company has not adopted prescribed accounting practices that differ from those found in the NAIC Manual.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting principles:

(1) When held, short-term investments are stated at amortized cost. Cash deposits are stated at cost.

(2) Bonds are stated at amortized cost using the scientific method.

(3) Common stocks, except for investments in stocks of subsidiaries and affiliates, are carried at fair value.

(4) The Company carries no preferred stock.

(5) The Company carries no mortgage loans on real estate.

(6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities except for interest only securities or securities where the yield had become negative, that are valued using the prospective method.

(7) The Company has no related non-insurance companies.

(8) The Company has no ownership interests in joint ventures.

(9) The Company has no derivatives.

(10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts – Premiums.

(11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

(12) The Company has not modified its capitalization policy from the prior period.

(13) The Company has not recorded any pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors

During December of 2009, the National Association of Insurance Commissioners released Statement of Statutory Accounting Principles No. 10R *"Income Taxes – Revised, A Temporary Replacement of SSAP No. 10"*, effective for 2009 annual financial statements, and 2010 interim and annual financial statements only. The cumulative effect of this change in accounting principle as reported on page 4, line 31 is $226,814. Since this change only relates to years 2009 and 2010, there is no impact on the 2008 financial statements. Further disclosure related to the adoption of SSAP No. 10R is included in Note 9. – Income Taxes.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

The Company was not a party to any business combinations and does not carry any goodwill.

B. Statutory Merger

The Company was not a party to any merger.

C. Impairment Loss

The Company did not recognize any impairment losses.

4. Discontinued Operations

The Company has no discontinued operations.

5. Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company has no mortgage loans, including mezzanine real estate loans.

B. Debt Restructuring

The Company has no debt restructuring.

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

(1) The fair value of loan-backed securities owned by the Company was $1,490,859 as of December 31, 2009.

(2) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or pricing services.

(3) The Company's loan-backed securities portfolio is concentrated in Ginnie Mae, Fannie Mae and/or Freddie Mac.

(4) The Company did not recognize any other-than-temporary-impairment losses on loan-backed securities in 2009.

(5) The Company does not hold any loan-backed securities with a recognized other-than-temporary-impairment as of December 31, 2009.

(6) The Company does not hold any loan-backed securities in an unrealized loss position as of December 31, 2009.

(7) The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. Some factors considered in evaluating whether a decline in fair value is other than temporary include: 1) the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value; 2) the duration and extent to which the fair value has been less than cost; and 3) the financial condition and prospects of the issuer. Losses arising from other than temporary declines in fair value are computed on a specific identification method and are reported in the Statement of Income in the period in which the decline was determined to be other than temporary.

(8) The Company has obtained fair values for all of its securities. Prepayment assumptions for single class and multi class mortgage-backed/asset-backed securities were obtained from broker dealer survey values or pricing services.

E. Repurchase Agreements

The Company has no repurchase agreements.

F. Real Estate

The Company has no real estate.

G. Low Income Housing Tax Credits

The Company has no low income housing tax credits.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets.

The Company has no investments in joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets.

B. Write-downs for Impairments

The Company did not recognize any impairment write-downs for investments in joint ventures, partnerships or limited liability companies during the statement periods.

7. Investment Income

A. Accrued Investment Income

The Company's accrued investment income is less than 90 days past due and accordingly is treated as an admitted asset at December 31, 2009.

B. Amounts Nonadmitted

The total amount excluded was $0.

8. Derivative Instruments

The Company has no derivative instruments.

9. Income Taxes

A. The components of the net deferred tax asset/(liability) in the Company's financial statements at December 31 are as follows:

	Ordinary	Capital	2009 Total	2008 Total	Change
Total of all deferred tax assets (admitted and nonadmitted)	2,893,808	4,821	2,898,629	2,210,023	688,606
Statutory valuation allowance adjustment	(226,814)	0	(226,814) xxx		(226,814)
Adjusted gross deferred tax assets (admitted and nonadmitted)	2,666,994	4,821	2,671,815	2,210,023	461,792
Total of all deferred tax liabilities	0	(12,222)	(12,222)	(30,172)	17,950
Net admitted and nonadmitted deferred tax asset (liability)	2,666,994	(7,401)	2,659,593	2,179,851	479,742
Total deferred tax assets nonadmitted as a result of the application of SSAP No. 10R	(2,260,593)	0	(2,260,593)	(2,179,851)	(80,742)
Net admitted deferred tax asset (liability)	406,401	(7,401)	399,000	0	399,000

The Company has elected to admit deferred tax assets pursuant to paragraph 10.e. of SSAP No. 10R for 2009. Such an election was not available for 2008.

The Company recorded an increase in admitted deferred tax assets as the result of its election to use the provisions of paragraph 10.e. of SSAP No. 10R at December 31, as follows:

	Ordinary	Capital	2009 Total	2008 Total	Change
Admitted pursuant to paragraph 10.a.	0	0	0	0	0
Admitted pursuant to paragraph 10.b.	133,000	0	133,000	0	133,000
Admitted pursuant to paragraph 10.c.	7,401	4,821	12,222	30,172	(17,950)
Total admitted from the use of paragraphs 10.a. - 10.c.	140,401	4,821	145,222	30,172	115,050
Admitted pursuant to paragraph 10.e.i.	0	0	0	xxx	0
Admitted pursuant to paragraph 10.e.ii.	266,000	0	266,000	xxx	266,000
Admitted pursuant to paragraph 10.e.iii.	0	0	0	xxx	0
Total admitted from the use of paragraphs 10.e.	266,000	0	266,000	0	266,000
Total admitted adjusted gross deferred tax assets	406,401	4,821	411,222	30,172	381,050

The Company's risk-based capital level used for the purposes of paragraph 10.d. of SSAP No. 10R is based on an authorized control level of $ 1,558,799 , and total adjusted capital of $ 11,597,848

The Company used the following amounts in the Risk-Based Capital calculation resulting from the calculation in paragraph 10 of SSAP No. 10R:

	Para 10.a-c	Para 10.e	Increase
Admitted adjusted deferred tax assets	145,222	411,222	266,000
Admitted assets	14,572,179	14,838,179	266,000
Statutory surplus	11,597,848	11,863,848	266,000
Total adjusted capital	11,597,848	11,863,848	266,000

B. The Company does not have any deferred tax liabilities that are not recognized.

C. The provisions for incurred taxes on earnings for the years ended December 31 are as follows:

	2009	2008
Federal income tax expense (benefit)	0	(22,771)
Federal income tax on net capital gains	0	35,317
Federal income taxes incurred	0	12,546

The Company reported no foreign income taxes.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows:

	2009	2008
Deferred Tax Assets:		
Bonds, excluding unrealized capital gains/losses	4,821	0
Equity securities, excluding unrealized capital gains/losses	0	85,177
Unrealized capital gains/(losses)	0	208,285
Discounting of unpaid losses and loss adjustment expenses	0	241,342
Unearned and advance premium reserves	6,944	468,330
NOL carryforward	2,888,814	1,193,882
Nonadmitted assets	50	0
Other items	0	13,007
Total deferred tax assets (admitted and nonadmitted)	2,898,629	2,210,023
Statutory valuation allowance	(226,814)	xxx
Total adjusted deferred tax assets (admitted and nonadmitted)	2,671,815	2,210,023
Total deferred tax assets nonadmitted as a result of the application of SSAP No. 10	(2,260,593)	(2,179,851)
Admitted deferred tax assets	411,222	30,172

	2009	2008
Deferred Tax Liabilities:		
Bonds, excluding unrealized capital gains/losses	0	28,602
Accrued dividends	0	1,570
Unrealized capital gains/(losses)	12,222	0
Total deferred tax liabilities	12,222	30,172
Net admitted deferred tax asset (liability)	399,000	0

The change in net deferred income taxes is comprised of the following:

	Dec. 31, 2009	Dec. 31, 2008	Change
Total deferred tax assets (admitted and nonadmitted)	2,671,815	2,210,023	461,792
Total deferred tax liabilities	12,222	30,172	(17,950)
Net admitted and nonadmitted deferred tax asset (liability)	2,659,593	2,179,851	479,742
Tax effect of unrealized gains			220,507
Change in statutory valuation allowance			226,814
Change in net deferred income tax (page 4, column 1, line 26)			927,063

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes, including income from realized capital gains and losses before incomes taxes of

$ 154,891 in 2009 and $ 101,038 in 2008, respectively.

The significant items causing this difference for the years ended December 31, are as follows:

	2009	2008
Tax provision at statutory rate	(906,829)	(700,749)
Tax exempt income deduction	(15,225)	0
Dividends received deduction - unaffiliated	(4,959)	(18,160)
Other	0	31,690
Total statutory income taxes	(927,013)	(685,219)
Federal income taxes incurred	0	12,546
Change in net deferred income tax (page 4, column 1, line 26)	(927,063)	(697,652)
Less: Deferred tax effect on nonadmitted assets included above	50	(113)
Total statutory income taxes	(927,013)	(685,219)

E. (a) The Company has net operating loss carryforwards of approximately $ 8,248,040 available, subject to certain limitations, of which, there is a valuation allowance recognized for $. 648,040 as the Company is unsure as to its realizability.

(b) The amount of income taxes incurred that are available for recoupment in the event of future net losses are

$ - and $ - in 2009 and 2008, respectively.

(c) The Company does not have any deposits reported as admitted assets under Section 6603 of the Internal Revenue Code.

F. (a) The Company is included in a consolidated federal income tax return with the following companies:

301 Oxford Valley Insurance Agency, Inc.	Response Insurance Company
Alpha Property & Casualty Insurance Company	Response Property Management Corporation, Inc.
CL&C Holding Incorporated	Response Worldwide Direct Auto Insurance Company
Charter General Agency, Inc.	Response Worldwide Insurance Company
Charter Group, Inc.	Rural American Consumer
Charter Indemnity Company	Security One Insurance Agency
Connecticut Casualty Insurance Agency, Inc.	Southern States Finance Corporation
Direct Response Corporation	Summerset Marketing Company
DRC Services Company	The Reliable Life Insurance Company
Family Security Funerals Company	Trinity Universal Insurance Company
Financial Indemnity Company	Union National Fire Insurance Company
Fireside Bank	Union National Life Insurance Company
Fireside Securities Corporation	United Casualty Insurance Company of America
Kemper Auto and Home Group, Inc.	United Insurance Company of America
Kemper Independence Insurance Company	Unitrin Advantage Insurance Company
Merastar Industries, Ltd.	Unitrin Auto & Home Insurance Company
Merastar Insurance Company	Unitrin Data Systems, Inc.
Mutual Benefit Assessment Company	Unitrin Direct General Agency, Inc.
National Association of Medicare Members, Inc.	Unitrin Direct Insurance Company
National Association of Self-Employed Business Owners	Unitrin Direct Property & Casualty
National Merit Insurance Company	Unitrin Internal Audit Services, Inc.
NCM Management Corporation	Unitrin Preferred Insurance Company
One East Wacker Corporation	Unitrin Safeguard Insurance Company
Primesco, Inc.	Unitrin Services Company
Reserve National Insurance Company	Unitrin, Inc.
Response General Agency of Texas	Valley Group, Inc.
Response Indemnity Company	Valley Property & Casualty Insurance Company
Response Indemnity Company of California	Warner Insurance Company

(b) The Company is party to a written tax sharing agreement with Unitrin, Inc. and its subsidiaries. This tax sharing agreement states that each participant in the agreement shall be allocated tax as if they filed a separate company return.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. Nature of Relationship

On Feb 17, 2009, Unitrin Inc. announced that its subsidiary, Trinity Universal Insurance Company ("Trinity"), completed its previously announced acquisition of Direct Response Corporation and its subsidiaries in a cash transaction valued at approximately $200 million.

B. Detail of Transactions Greater Than ½% of Admitted Assets:

There were no applicable transactions except for those between affiliates as shown in Schedule Y - Part 2.

C. Change in Terms of Intercompany Arrangements

There were no other applicable transactions between affiliates except for those shown in Schedule Y – Part 2 and Note 25.

D. Amounts Due to or from Related Parties and Terms of Settlements

Balances due to or from affiliates are settled within 45 days after each quarter end. The Company owns no shares, directly or indirectly, of its parent.

E. Guarantees for the Material Benefit of Affiliates

There are no guarantees for the material benefit of affiliates.

F. Material Management or Service Contracts or Cost-sharing Arrangements

The Company is party to a service agreement whereby Direct Response Corporation (DRC) allocates all direct and directly allocable expenses attributable to Response Insurance Company (RIC) and pool members to RIC. For the first six months of the year, expenses were allocated to the pool members based on their pool participation percentages (see below). The pool was commuted on July 1, 2009 (see Note 25). Beginning July 1, 2009 RIC began allocating expenses to the former pool members based on percentages of premiums and claims.

Company	NAIC Code	Pool Percentage
Response Insurance Company (lead company)	43044	15%
National Merit Insurance Company	39004	13%
Response Worldwide Insurance Company	26050	44%
Response Worldwide Direct Auto Insurance Company	20133	22%
Warner Insurance Company	26085	6%

G. Nature of Control Relationships

All the shares outstanding are owned by Trinity, which is a wholly owned subsidiary of Unitrin. Refer to the organization chart shown in Schedule Y – Part 1.

H. Amount Deducted from the Value of Upstream Intermediate Entity or Ultimate Parent Owned (SSAP 25)

The Company owns no shares, directly or indirectly, of upstream entities Trinity or Unitrin.

I. Investment in an SCA Entity that Exceeds 10% of Admitted Assets of the Company

The Company has no investment in an SCA entity that exceeds 10% of admitted assets.

J. Information on Investment in Impaired SCA Entities

The Company has no investment in impaired SCA entities.

K. Information on Investment in Foreign Insurance Subsidiaries

The Company has no investment in foreign insurance subsidiaries.

L. Information on Investment in Downstream Noninsurance Holding Companies

The Company has no investment in downstream noninsurance holding companies.

11. Debt

The Company has no debt, including capital notes.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plans

The Company does not sponsor any defined benefit plans.

B. Defined Contribution Plans

The Company does not sponsor any defined contribution plans.

C. Multiemployer Plans

The Company does not participate in any multiemployer plans.

D. Consolidated/Holding Company Plans

The Company does not sponsor or participate in a consolidated/holding company plan.

E. Postemployment Benefits and Compensated Absences
The Company does not participate in any other postretirement benefits or compensated absences plans.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

The Company does not sponsor a postretirement benefit plan.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

(1) The Company has 30,000 Class A common stock shares authorized, with 30,000 shares issued and outstanding. The stated value of the common stock as of December 31, 2009 was $100 per share.

(2) The Company has no preferred stock outstanding.

(3) The State of Washington insurance law restricts companies from paying an extraordinary dividend without prior notice to and approval from the Mayor of Insurance. An extraordinary dividend is one whose fair market value together with that of other dividends or distributions made within the preceding twelve months exceeds the lesser of 10% of the insurer's surplus as regards to policyholders as of December 31 next preceding, or the net income, not including realized capital gains for the twelve-month period ending December 31 next preceding, but shall not include pro rata distributions of any class of the insurer's own securities. The State of Washington provides an alternative method to determine if a dividend is extraordinary that allows a non life insurer to carryforward net income form the second and immediate preceding year.

(4) No shareholder dividends were declared for the year ending December 31, 2009.

(5) Based on the limitations noted in (3) above, the maximum amount of dividends that the Company can pay in 2010 without prior approval, is $0.

(6) There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

(7) The total amount of advances to surplus not repaid is $ 0.

(8) The amounts of stock held by the Company, including stock of affiliated companies, are:

a. For conversion of preferred stock: 0 Shares
b. For employee stock options: 0 Shares
c. For stock purchase warrants: 0 Shares.

(9) Changes in balances of special surplus funds from the prior year are not applicable.

(10) The portion of unassigned funds (surplus) represented or reduced by unrealized capital gains and (losses) is $22,699.

(11) The Company did not issue surplus debentures or similar obligations.

(12) The Company has no quasi-reorganization.

(13) The Company has no quasi-reorganization.

14. Contingencies

A. Contingent Commitments

The Company has no contingent commitments.

B. Assessments

The Company is aware of the insolvency of various insurance companies. It is expected that these insolvencies and others anticipated in the future, will result in a guaranty fund assessments against the Company at some future date. Additionally, the Company has accrued an estimated assessment which was calculated based on a combination of analyses of paid guaranty fund assessments, review of trends, conversations with various guaranty fund associations, and actual premium writings in the states where guaranty fund assessments are anticipated but not yet received. The Company does not anticipate that any future assessment will be materially higher than the estimated amount recorded with respect to the Company's financial position.

C. Gain Contingencies

The Company has not recognized any gain contingencies on its financial statements.

D. Claims Related Extra Obligations and Bad Faith Losses Stemming from Lawsuits

The Company has no material claims related extra obligations and bad faith losses stemming from lawsuits.

E. All Other Contingencies

The Company is involved in various legal proceedings that have arisen in the ordinary course of the Company's business. The Company believes that resolution of its pending legal proceedings will not have a material adverse effect on the Company's financial position, but may have a material adverse effect on the financial results for a given reporting period.

15. Leases

A. Lessee Leasing Arrangements

The Company has no material lease obligations

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

The Company has no off-balance sheet risk or financial instruments with concentrations of credit risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments Liabilities

A. Transfers of Receivables Reported as Sales

The Company has no transfers of receivables reported as sales.

B. Transfers and Servicing of Financial Assets

The Company has no transfers or servicing of financial assets.

C. Wash Sales

The Company has no wash sales.

18. Gain or Loss to the Company from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

The Company did not serve as an ASO plan administrator.

B. ASC Plans

The Company did not serve as an ASC plan administrator.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

The Company did not serve as a Medicare or other similar structured cost based reimbursement contract administrator.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company did not have any direct premiums written through or produced by managing general agents or third party administrators.

20. Other Items

A. Extraordinary Items

The Company has no material extraordinary items.

B. Troubled Debt Restructuring: Debtors

The Company has no troubled debt restructurings.

C. Other Disclosures.

The Company elected to use rounding in reporting amounts in the statement.

D. Uncollectible Premiums Receivable

The Company has no balances deemed uncollectible according to the provisions of SSAP 6.

E. Business Interruption Insurance Recoveries

The Company has no business interruption insurance recoveries.

F. State Transferable Tax Credits

The Company does not have any transferable state tax credits.

G. Subprime Mortgage Related Risk Exposure

The company has no exposure to Sub-Prime Mortgages

21. Events Subsequent

None

22. Reinsurance

A. Unsecured Reinsurance Recoverables

The Company has the following unsecured reinsurance recoverables that exceed 3% of policyholder's surplus (in 000's):

NAIC Code	Federal Tax ID #	Company	Amount
19887	75-0520550	Trinity Universal Ins. Co.	$ 15,477.

B. Reinsurance Recoverable in Dispute

The Company has no reinsurance recoverable in dispute in excess of five percent (5%) of the Company's policyholder's surplus. And, the aggregate of all reinsurance recoverable in dispute is not in excess of ten percent (10%) of the Company's policyholder's surplus.

C. Reinsurance Assumed and Ceded

(1) The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2009:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve (1)	Commission Equity (2)	Premium Reserve (3)	Commission Equity (4)	Premium Reserve (5)	Commission Equity (6)
(i) Affiliates	0	0	3,883,657	0	(3,883,657)	0
(ii) All Other	0	0	12,556	0	(12,556)	0
(iii) Total	0	0	3,896,213	0	(3,896,213)	0

(iv) Direct Unearned Premium Reserve: 3,896,213

(2) Additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements are accrued as follows:

	Direct	Assumed	Ceded	Net
Contingent Commissions	0	0	0	0
Sliding Scale Adjustments	0	0	0	0
Other Profit Commission Arrangements	0	0	0	0
TOTAL	0	0	0	0

(3) The Company has no protected cells.

D. Uncollectible Reinsurance

The Company had no uncollectible reinsurance written off during the year.

E. Commutation of Ceded Reinsurance

The Company had no commutation of reinsurance ceded during the year.

F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts.

G. Reinsurance Accounted for as a Deposit

The Company had no reinsurance accounted for as a deposit.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company has no retrospectively rated contracts or contracts subject to redetermination.

24. Change in Incurred Losses and Loss Adjustment Expenses

Property and casualty insurance reserves are estimates based on historical experience patterns and current economic trends. Actual loss experience and loss trends are likely to differ from these historical experience patterns and economic conditions. Loss experience and loss trends emerge over several years from the dates of loss inception. The Company monitors such emerging loss trends. Upon concluding, based on the data available, that an emerging loss trend will continue, the Company adjusts its property and casualty insurance reserves to recognize such trends. These changes in loss trends are reflected in the results of the period of change and included in Schedule P. The business to which this development relates is not retrospectively rated, therefore, they are not subject to premium adjustments.

25. Intercompany Pooling Arrangements

A. The Company commuted the Response Reinsurance Pooling Agreement on July 1, 2009. In October of 2009, the Company received regulatory approval on their request to participate in a quota share reinsurance agreement with Trinity. Under the new agreement, the company will cede 100% of its net liability, premiums, losses and other expenses for existing new and renewal business, net of unaffiliated reinsurance, to Trinity, effective July 1, 2009. All of Trinity's property & casualty affiliates are parties to similar reinsurance agreements whereby each affiliate retains 0%. A list of names and NAIC codes are as follows:

Capitol County Mutual Fire Insurance Company	29211
Unitrin County Mutual Insurance Company	29351
Alpha Property & Casualty Insurance Company	38156
Charter Indemnity Company	37524
Financial Indemnity Company	19852
Kemper Independence Insurance Company	10914
Merastar Insurance Company	31988
Old Reliable Casualty Company	36625
Union National Fire Insurance Company	12998
United Casualty Insurance Company of America	11142
Unitrin Advantage Insurance Company	10881
Unitrin Auto and Home Insurance Company	16063
Unitrin Direct Insurance Company	10226
Unitrin Direct Property & Casualty Company	10916
Unitrin Preferred Insurance Company	25909
Unitrin Safeguard Insurance Company	40703
Valley Insurance Company	14133
Valley Property & Casualty Insurance Company	10698
Mutual Savings Fire Insurance Company	31178
Response Insurance Company	43044
Response Worldwide Insurance Company	26050
Response Worldwide Direct Auto Insurance Company	20133
Response Indemnity Company	10811
Response Indemnity Company of California	10970
National Merit Insurance Company	39004
Warner Insurance Company	26085

B. All business written is subject to the quota share agreement.

C. The Company reinsures business with non-affiliated reinsurers prior to ceding to Trinity.

D. The Company has a contractual right of recovery from its own unaffiliated reinsurers.

E. There are no discrepancies between the assumed and ceded reinsurance schedules.

F. The Company establishes its provision for reinsurance in Schedule F – Part 7 and the write-off of uncollectible reinsurance for its own ceded reinsurance.

26. Structured Settlements

The Company has no structured settlements.

27. Health Care Receivables

The Company has no health care receivables.

28. Participating Policies

The Company has no participating policies.

29. Premium Deficiency Reserves

The Company has no premium deficiency reserves.

30. High Deductibles

The Company has no high deductible policies.

31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expenses in preparing this statement.

32. Asbestos/Environmental Reserves

A. Does the Company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to asbestos losses? Yes ( ) No (X)

B. Not Applicable

C. Not Applicable

D. Does the Company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to environmental losses? Yes ( ) No (X)

E. Not Applicable

F. Not Applicable

33. Subscriber Savings Accounts

The Company is not a reciprocal insurance company.

34. Multiple Peril Crop Insurance

The Company does not write any multiple peril crop insurance.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? Washington

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [ ]

2.2 If yes, date of change: 05/11/2009

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2006

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2006

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/22/2008

3.4 By what department or departments?
Washington State Office of the Insurance Commissioner

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [X] No [ ] N/A [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,
7.21 State the percentage of foreign control; %
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [X] No [ ]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Fireside Bank	Pleasanton, CA				YES	

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche LLP, City Place 32nd FL, 185 Asylum Street, Hartford, CT 06103

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
David M. Elkins, F.C.A.S., M.A.A.A., Chief Actuary, One East Wacker Drive, Suite 3300, Chicago, IL 60601

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value $

11.2 If, yes provide explanation:

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No [ ]

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers $
- 18.12 To stockholders not officers $
- 18.13 Trustees, supreme or grand (Fraternal Only) $

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers $
- 18.22 To stockholders not officers $
- 18.23 Trustees, supreme or grand (Fraternal Only) $

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others $
- 19.22 Borrowed from others $
- 19.23 Leased from others $
- 19.24 Other $

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

20.2 If answer is yes,
- 20.21 Amount paid as losses or risk adjustment $
- 20.22 Amount paid as expenses $
- 20.23 Other amounts paid $

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes [X] No [ ]

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [ ]

22.5 If answer to 22.4 is YES, report amount of collateral. $

22.6 If answer to 22.4 is NO, report amount of collateral. $

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3). Yes [X] No [ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements $
- 23.22 Subject to reverse repurchase agreements $
- 23.23 Subject to dollar repurchase agreements $
- 23.24 Subject to reverse dollar repurchase agreements $
- 23.25 Pledged as collateral $
- 23.26 Placed under option agreements $
- 23.27 Letter stock or other securities restricted as to sale $
- 23.28 On deposit with state or other regulatory body $ 1,657,801
- 23.29 Other $

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year. $

GENERAL INTERROGATORIES

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
The Northern Trust Co.	50 South LaSalle Street, Chicago, IL 60675

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 - Total		

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	10,738,182	11,092,170	353,988
28.2 Preferred stocks			
28.3 Totals	10,738,182	11,092,170	353,988

28.4 Describe the sources or methods utilized in determining the fair values:
Hubdata Inc., Interactive Data Corporation; and Bloomberg

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [X]

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
The Company generally validates the measurements obtained from its primary provider by comparing them with measurements obtained from one additional pricing provider that provides either prices from the recent market transactions or quotes in inactive markets or evaluations based on its own proprietary models. The Company investigates significant differences related to the values provided.

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]
30.2 If no, list exceptions:

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 23,204

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Insurance Services Office	8,716

32.1 Amount of payments for legal expenses, if any? $ 12,071

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Nixon Peabody LLP	3,148
Locke, Lorde, Bissell & Liddell	7,341

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U. S. business only $

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $
1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. $

1.6 Individual policies:

Most current three years:
1.61 Total premium earned $
1.62 Total incurred claims $
1.63 Number of covered lives

All years prior to most current three years
1.64 Total premium earned $
1.65 Total incurred claims $
1.66 Number of covered lives

1.7 Group policies:

Most current three years:
1.71 Total premium earned $
1.72 Total incurred claims $
1.73 Number of covered lives

All years prior to most current three years
1.74 Total premium earned $
1.75 Total incurred claims $
1.76 Number of covered lives

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator		
2.2	Premium Denominator	9,233,176	19,604,285
2.3	Premium Ratio (2.1/2.2)	0.000	0.000
2.4	Reserve Numerator		
2.5	Reserve Denominator		18,501,980
2.6	Reserve Ratio (2.4/2.5)	0.000	0.000

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]

3.2 If yes, state the amount of calendar year net premiums written on:

3.21 Participating policies $
3.22 Non-participating policies $

4. For mutual reporting Entities and Reciprocal Exchanges Only:
4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]
4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]
4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %
4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. $

5. For Reciprocal Exchanges Only:
5.1 Does the Exchange appoint local agents? Yes [ ] No [ ]
5.2 If yes, is the commission paid:
5.21 Out of attorney's-in-fact compensation Yes [ ] No [ ] N/A [X]
5.22 As a direct expense of the exchange Yes [ ] No [ ] N/A [X]
5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [ ]

5.5 If yes, give full information

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?
The Company does not write workers' compensation insurance.

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.
All policies are 100% reinsured by Trinity Universal Insurance Company.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?
All policies are 100% reinsured by Trinity Universal Insurance Company.

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [ ] No [X]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.
All policies are 100% reinsured by Trinity Universal Insurance Company.

7.1 Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions:

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
(c) Aggregate stop loss reinsurance coverage;
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [X] No [ ]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
(a) The entity does not utilize reinsurance; or Yes [ ] No [X]
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [ ] No [ ] N/A [X]

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force? Yes [ ] No [X]

11.2 If yes, give full information

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses $

12.12 Unpaid underwriting expenses (including loss adjustment expenses) $

12.2 Of the amount on Line 13.3, Page 2, state the amount which is secured by letters of credit, collateral, and other funds $

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ ] N/A [X]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41 From %

12.42 To %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves , including unpaid losses under deductible features of commercial policies? Yes [ ] No [X]

12.6 If yes, state the amount thereof at December 31 of the current year:

12.61 Letters of credit $

12.62 Collateral and other funds $

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 6

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [ ] No [X]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [ ] No [ ]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ]

14.5 If the answer to 14.4 is no, please explain:

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home					
16.12 Products					
16.13 Automobile					
16.14 Other*					

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes [ ] No [X]

Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 $
17.12 Unfunded portion of Interrogatory 17.11 $
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11 $
17.14 Case reserves portion of Interrogatory 17.11 $
17.15 Incurred but not reported portion of Interrogatory 17.11 $
17.16 Unearned premium portion of Interrogatory 17.11 $
17.17 Contingent commission portion of Interrogatory 17.11 $

Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5 $
17.19 Unfunded portion of Interrogatory 17.18 $
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18 $
17.21 Case reserves portion of Interrogatory 17.18 $
17.22 Incurred but not reported portion of Interrogatory 17.18 $
17.23 Unearned premium portion of Interrogatory 17.18 $
17.24 Contingent commission portion of Interrogatory 17.18 $

18.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

18.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

18.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

18.4 If yes, please provide the balance of funds administered as of the reporting date. $

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

		1 2009	2 2008	3 2007	4 2006	5 2005
	Gross Premiums Written (Page 8, Part 1B Cols. 1, 2 & 3)					
1.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	8,588,051	20,238,531	20,881,350	22,379,951	22,427,275
2.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	6,712,437	14,656,758	15,161,292	16,064,854	15,699,999
3.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)				(2,436)	(19,979)
4.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
5.	Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6.	Total (Line 35)	15,300,488	34,895,289	36,042,642	38,442,369	38,107,295
	Net Premiums Written (Page 8, Part 1B, Col. 6)					
7.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,643,849	11,900,897	11,247,857	9,372,218	13,988,708
8.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,044,858	7,887,808	7,449,914	5,568,613	9,648,011
9.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)				(2,235)	(362)
10.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
11.	Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12.	Total (Line 35)	2,688,706	19,788,705	18,697,771	14,938,596	23,636,357
	Statement of Income (Page 4)					
13	Net underwriting gain (loss) (Line 8)	(3,766,277)	(3,316,405)	(2,058,848)	(1,349,320)	579,782
14.	Net investment gain or (loss) (Line 11)	1,124,266	1,163,145	1,507,096	1,163,534	882,831
15.	Total other income (Line 15)	51,070	115,804	140,686	166,178	156,148
16.	Dividends to policyholders (Line 17)					
17.	Federal and foreign income taxes incurred (Line 19)		(22,771)	(242,518)	20,429	611,645
18.	Net income (Line 20)	(2,590,941)	(2,014,685)	(168,548)	(19,937)	1,007,116
	Balance Sheet Lines (Pages 2 and 3)					
19.	Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	14,838,179	33,150,792	35,861,052	42,535,175	43,075,254
20.	Premiums and considerations (Page 2, Col. 3)					
	20.1 In course of collection (Line 13.1)	30,366	177,583	1,199,895	1,237,235	1,845,452
	20.2 Deferred and not yet due (Line 13.2)	1,443,434	2,888,796	1,769,456	1,709,861	2,535,369
	20.3 Accrued retrospective premiums (Line 13.3)					
21.	Total liabilities excluding protected cell business (Page 3, Line 24)	2,974,331	19,656,858	18,814,174	25,126,998	25,608,571
22.	Losses (Page 3, Line 1)		9,596,721	8,537,945	8,417,711	11,074,293
23.	Loss adjustment expenses (Page 3, Line 3)		2,360,189	2,279,286	2,155,968	3,168,267
24.	Unearned premiums (Page 3, Line 9)		6,544,470	6,359,547	6,286,897	9,376,050
25.	Capital paid up (Page 3, Lines 28 & 29)	3,000,000	3,000,000	3,000,000	4,000,000	4,000,000
26.	Surplus as regards policyholders (Page 3, Line 35)	11,863,848	13,493,934	17,046,878	17,408,177	17,466,683
	Cash Flow (Page 5)					
27.	Net cash from operations (Line 11)	(16,991,577)	(2,256,622)	(6,555,138)	1,545,972	(222,787)
	Risk-Based Capital Analysis					
28.	Total adjusted capital	11,863,848	13,493,934	17,046,878	17,408,177	17,466,683
29.	Authorized control level risk-based capital	1,558,931	2,233,674	2,549,846	2,709,844	3,137,222
	Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line divided by Page 2, Line 10, Col. 3) x100.0					
30.	Bonds (Line 1)	75.1	83.4	85.5	72.1	74.2
31.	Stocks (Lines 2.1 & 2.2)	1.2	7.5	13.0	12.6	9.4
32.	Mortgage loans on real estate (Line 3.1 and 3.2)					
33.	Real estate (Lines 4.1, 4.2 & 4.3)					
34.	Cash, cash equivalents and short-term investments (Line 5)	23.7	5.1	1.5	15.3	16.3
35.	Contract loans (Line 6)					
36.	Other invested assets (Line 7)					
37.	Receivables for securities (Line 8)		3.9	0.1		
38.	Aggregate write-ins for invested assets (Line 9)					
39.	Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
	Investments in parent, subsidiaries and affiliates					
40.	Affiliated bonds (Schedule D, Summary, Line 12, Col. 1)					
41.	Affiliated preferred stocks (Schedule D, Summary, Line 18, Col. 1)					
42.	Affiliated common stocks (Schedule D, Summary, Line 24, Col. 1)					
43.	Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)					
44.	Affiliated mortgage loans on real estate					
45.	All other affiliated					
46.	Total of above Lines 40 to 45					
47.	Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2009	2 2008	3 2007	4 2006	5 2005
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	409,514	(904,345)	136,319	460,352	134,498
49. Dividends to stockholders (Line 35)					(450,000)
50. Change in surplus as regards policyholders for the year (Line 38)	(1,630,066)	(3,552,945)	(361,299)	(58,506)	1,058,113
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	24,158,823	13,936,860	16,469,631	15,262,957	15,942,493
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	4,171,114	6,514,621	6,732,091	6,108,735	6,747,480
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	29,697	(10,324)	12,411	23,114	360,490
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
56. Total (Line 35)	28,359,634	20,441,157	23,214,133	21,394,805	23,050,463
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	16,071,302	8,744,250	7,703,203	10,228,375	8,621,863
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	1,917,571	4,199,625	3,733,694	3,148,570	4,098,963
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	9,697	(14,324)	(7,059)	3,771	18,757
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)					
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)					
62. Total (Line 35)	17,998,570	12,929,551	11,429,838	13,380,716	12,739,383
Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	91.0	71.4	62.0	59.5	97.5
65. Loss expenses incurred (Line 3)	8.5	12.5	12.3	11.2	21.8
66. Other underwriting expenses incurred (Line 4)	41.3	33.0	36.7	36.8	65.2
67. Net underwriting gain (loss) (Line 8)	(40.8)	(16.9)	(11.1)	(7.5)	14.6
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	139.9	32.1	35.8	43.1	35.0
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	99.5	83.9	74.4	70.7	62.2
70. Net premiums written to policyholders' surplus (Page 6, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	22.7	146.6	109.7	85.8	135.3
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11)	1,337	540	(234)	57	(495)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	9.9	3.2	(1.3)	0.3	(4.8)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	896	(400)	(78)	(755)	(900)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	5.3	(2.3)	(0.4)	(4.7)	(7.1)

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain:

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

($000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported-Direct and Assumed
	Direct and Assumed	Ceded	Net (1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9)	
1. Prior	XXX	XXX	XXX	11							11	XXX
2. 2000	21,224	11,779	9,445	18,335	10,580	1,072	595	2,291	1,287	533	9,236	XXX
3. 2001	22,273	11,457	10,816	16,517	9,154	988	505	1,879	997	527	8,728	XXX
4. 2002	22,422	12,041	10,381	15,447	8,300	1,068	434	1,853	900	688	8,733	XXX
5. 2003	19,328	3,390	15,938	10,998	1,751	533	38	1,471	204	767	11,109	XXX
6. 2004	43,538	26,759	16,779	9,537	324	611	1	1,374	2	880	11,194	XXX
7. 2005	41,469	24,651	16,818	9,143	(706)	555	(75)	1,403	(17)	1,078	11,899	XXX
8. 2006	48,453	30,425	18,028	9,748	(801)	577	(169)	1,524	(14)	1,241	12,734	XXX
9. 2007	36,816	18,190	18,626	10,728	(1,945)	292	(379)	1,528	(31)	1,382	15,001	XXX
10. 2008	35,434	15,830	19,604	12,094	(2,188)	336	(525)	1,577	(38)	1,303	16,757	XXX
11. 2009	15,734	6,501	9,233	6,899	(114)	154	(261)	878	315	523	7,992	XXX
12. Totals	XXX	XXX	XXX	119,456	24,354	6,185	165	15,876	3,605	8,922	113,393	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	21 Direct and Assumed	22 Ceded	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding-Direct and Assumed
1. Prior													XXX
2. 2000					4	4							XXX
3. 2001	40	40											XXX
4. 2002	18	18											XXX
5. 2003	182	182					99	99	5	5			XXX
6. 2004	26	26	109	109			17	17	1	1			XXX
7. 2005	490	490	487	487	11	11	138	138	9	9			XXX
8. 2006	338	338	(18)	(18)	11	11	140	140	9	9			XXX
9. 2007	1,045	1,045	979	979	5	5	354	354	30	30			XXX
10. 2008	1,128	1,128	1,252	1,252	2	2	381	381	49	49			XXX
11. 2009	2,154	2,154	1,785	1,785	73	73	396	396	197	197			XXX
12. Totals	5,421	5,421	4,593	4,593	105	105	1,525	1,525	300	300			XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred /Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2. 2000	21,702	12,466	9,236	102.3	105.8	97.8					
3. 2001	19,424	10,696	8,728	87.2	93.4	80.7					
4. 2002	18,885	9,652	8,733	82.0	80.2	84.1					
5. 2003	13,388	2,279	11,109	69.3	67.2	69.7					
6. 2004	11,674	481	11,194	26.8	1.8	66.7					
7. 2005	12,236	337	11,899	29.5	1.4	70.7					
8. 2006	12,230	(504)	12,734	25.2	(1.7)	70.6					
9. 2007	15,059	57	15,001	40.9	0.3	80.5					
10. 2008	16,818	61	16,757	47.5	0.4	85.5					
11. 2009	12,536	4,544	7,992	79.7	69.9	86.6					
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX		

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009	11 One Year	12 Two Year
1. Prior	1,460	1,476	1,465	1,528	1,499	1,487	1,476	1,485	1,483	1,484	1	(1)
2. 2000	8,464	8,245	8,262	8,202	8,172	8,213	8,230	8,234	8,231	8,232	1	(2)
3. 2001	XXX	8,240	7,891	7,882	7,895	7,882	7,821	7,836	7,835	7,845	11	10
4. 2002	XXX	XXX	8,180	7,763	7,792	7,910	7,838	7,818	7,784	7,780	(4)	(38)
5. 2003	XXX	XXX	XXX	10,808	9,941	9,731	9,800	9,812	9,801	9,841	40	29
6. 2004	XXX	XXX	XXX	XXX	10,503	9,990	9,873	9,832	9,775	9,822	47	(50)
7. 2005	XXX	XXX	XXX	XXX	XXX	10,522	10,701	10,540	10,482	10,479	(3)	(61)
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	11,149	11,047	11,097	11,195	98	148
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	12,474	13,180	13,344	164	870
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	14,162	15,143	981	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,428	XXX	XXX
										12. Totals	1,337	895

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009		
1. Prior	000	581	1,008	1,263	1,383	1,445	1,471	1,473	1,473	1,484	XXX	XXX
2. 2000	4,909	6,574	7,233	7,648	7,982	8,096	8,195	8,201	8,224	8,232	XXX	XXX
3. 2001	XXX	4,315	6,212	6,912	7,451	7,679	7,729	7,770	7,814	7,845	XXX	XXX
4. 2002	XXX	XXX	4,198	5,985	6,616	7,390	7,522	7,711	7,726	7,780	XXX	XXX
5. 2003	XXX	XXX	XXX	5,429	7,643	8,647	9,193	9,545	9,644	9,841	XXX	XXX
6. 2004	XXX	XXX	XXX	XXX	5,310	7,531	8,489	9,154	9,523	9,822	XXX	XXX
7. 2005	XXX	XXX	XXX	XXX	XXX	5,578	8,135	9,163	9,846	10,479	XXX	XXX
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	6,086	8,645	9,858	11,195	XXX	XXX
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,160	10,239	13,344	XXX	XXX
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	8,041	15,143	XXX	XXX
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	7,428	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1 2000	2 2001	3 2002	4 2003	5 2004	6 2005	7 2006	8 2007	9 2008	10 2009
1. Prior	264	293	77	70	30	11	2	7	6	
2. 2000	1,127	525	287	150	24	43	8	5		
3. 2001	XXX	1,656	681	331	179	64	33	15	4	
4. 2002	XXX	XXX	1,903	647	342	206	118	55	12	
5. 2003	XXX	XXX	XXX	2,773	1,070	506	323	120	64	
6. 2004	XXX	XXX	XXX	XXX	2,542	1,190	665	328	92	
7. 2005	XXX	XXX	XXX	XXX	XXX	1,902	1,206	653	309	
8. 2006	XXX	XXX	XXX	XXX	XXX	XXX	2,082	1,258	663	
9. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,198	1,659	
10. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	2,941	
11. 2009	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken: 2 Direct Premiums Written	3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Included in Column 2)
1. Alabama AL	N								
2. Alaska AK	N								
3. Arizona AZ	N								
4. Arkansas AR	N								
5. California CA	N								
6. Colorado CO	N								
7. Connecticut CT	N								
8. Delaware DE	N								
9. District of Columbia DC	N								
10. Florida FL	N								
11. Georgia GA	N								
12. Hawaii HI	N								
13. Idaho ID	L								
14. Illinois IL	L								
15. Indiana IN	N								
16. Iowa IA	N								
17. Kansas KS	N								
18. Kentucky KY	N								
19. Louisiana LA	N								
20. Maine ME	N								
21. Maryland MD	N								
22. Massachusetts MA	N								
23. Michigan MI	N								
24. Minnesota MN	N								
25. Mississippi MS	N								
26. Missouri MO	N								
27. Montana MT	N								
28. Nebraska NE	N								
29. Nevada NV	N								
30. New Hampshire NH	N								
31. New Jersey NJ	N								
32. New Mexico NM	N								
33. New York NY	L	4,127,065	4,470,756		2,651,320	2,201,806	2,514,520	35,381	
34. North Carolina NC	N								
35. North Dakota ND	N								
36. Ohio OH	N								
37. Oklahoma OK	N								
38. Oregon OR	L								
39. Pennsylvania PA	L						(45,374)	(17,563)	
40. Rhode Island RI	N								
41. South Carolina SC	N								
42. South Dakota SD	N								
43. Tennessee TN	N								
44. Texas TX	N								
45. Utah UT	N								
46. Vermont VT	N								
47. Virginia VA	N								
48. Washington WA	L	8,483,861	8,917,995		7,709,744	6,352,987	7,517,185	72,732	
49. West Virginia WV	N								
50. Wisconsin WI	N								
51. Wyoming WY	N								
52. American Samoa AS	N								
53. Guam GU	N								
54. Puerto Rico PR	N								
55. U.S. Virgin Islands VI	N								
56. Northern Mariana Islands MP	N								
57. Canada CN	N								
58. Aggregate Other Aliens OT	XXX								
59. Totals (a)	(a) 6	12,610,925	13,388,751		10,361,064	8,519,419	10,014,143	108,113	
DETAILS OF WRITE-INS									
5801.	XXX								
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX								

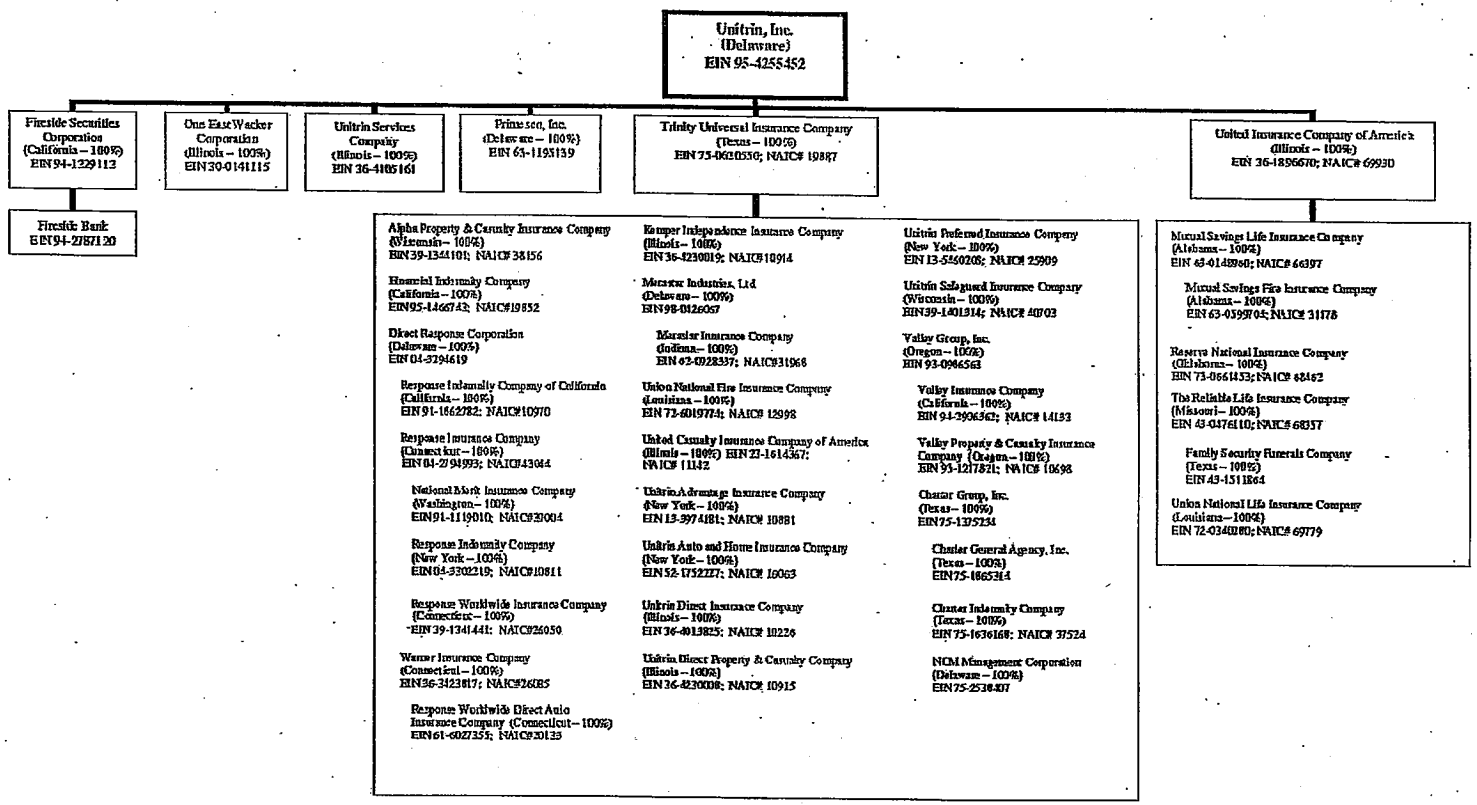
Explanation of basis of allocation of premiums by states, etc.

Premiums are reported in the state of the insured's primary garage. All other premiums are generally reported in the state of the insured risk.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



Unitrin County Mutual Insurance Company (NAIC# 29351, domiciled in the state of Texas) is affiliated with NCM Management Corp. by virtue of a management agreement. Capitol County Mutual Fire Insurance Company (NAIC# 29211, domiciled in the state of Texas) is affiliated with The Reliable Life Insurance Company by virtue of a management agreement. Old Reliable Casualty Company (NAIC# 35525, domiciled in the state of Missouri) is affiliated with Trinity Universal Insurance Company by virtue of its affiliation with Capitol County Mutual Fire Insurance Company.

OVERFLOW PAGE FOR WRITE-INS

Additional Write-Ins for Underwriting and Investment Exhibit Part 3 Line 24

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
2404. Investment custody fees			23,771	23,771
2405. Books and periodicals	42	1,428		1,470
2497. Summary of remaining write-ins for Line 24 from overflow page	42	1,428	23,771	25,240

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Assets 2
Cash Flow 5
Exhibit of Capital Gains (Losses) 12
Exhibit of Net Investment Income 12
Exhibit of Nonadmitted Assets 13
Exhibit of Premiums and Losses (State Page) 19
Five-Year Historical Data 17
General Interrogatories 15
Jurat Page 1
Liabilities, Surplus and Other Funds 3
Notes To Financial Statements 14
Overflow Page For Write-ins 97
Schedule A - Part 1 ..... E01
Schedule A - Part 2 ..... E02
Schedule A - Part 3 ..... E03
Schedule A - Verification Between Years SI02
Schedule B - Part 1 ..... E04
Schedule B - Part 2 ..... E05
Schedule B - Part 3 ..... E06
Schedule B - Verification Between Years SI02
Schedule BA - Part 1 ..... E07
Schedule BA - Part 2 ..... E08
Schedule BA - Part 3 ..... E09
Schedule BA - Verification Between Years SI03
Schedule D - Part 1 ..... E10
Schedule D - Part 1A - Section 1 ..... SI05
Schedule D - Part 1A - Section 2 ..... SI06
Schedule D - Part 2 - Section 1 ..... E11
Schedule D - Part 2 - Section 2 ..... E12
Schedule D - Part 3 ..... E13
Schedule D - Part 4 ..... E14
Schedule D - Part 5 ..... E15
Schedule D - Part 6 - Section 1 ..... E16
Schedule D - Part 6 - Section 2 ..... E16
Schedule D - Summary By Country SI04
Schedule D - Verification Between Years SI03
Schedule DA - Part 1 ..... E17
Schedule DA - Verification Between Years SI11
Schedule DB - Part A - Section 1 ..... E18
Schedule DB - Part A - Section 2 ..... E18
Schedule DB - Part A - Section 3 ..... E19
Schedule DB - Part A - Verification Between Years SI12
Schedule DB - Part B - Section 1 ..... E19
Schedule DB - Part B - Section 2 ..... E20
Schedule DB - Part B - Section 3 ..... E20
Schedule DB - Part B - Verification Between Years SI12
Schedule DB - Part C - Section 1 ..... E21
Schedule DB - Part C - Section 2 ..... E21
Schedule DB - Part C - Section 3 ..... E22
Schedule DB - Part C - Verification Between Years SI13
Schedule DB - Part D - Section 1 ..... E22
Schedule DB - Part D - Section 2 ..... E23
Schedule DB - Part D - Section 3 ..... E23
Schedule DB - Part D - Verification Between Years SI13
Schedule DB - Part E - Section 1 ..... E24
Schedule DB - Part E - Verification SI13
Schedule DB - Part F - Section 1 ..... SI14
Schedule DB - Part F - Section 2 ..... SI15
Schedule E - Part 1 - Cash E25
Schedule E - Part 2 - Cash Equivalents E26
Schedule E - Part 3 - Special Deposits E27
Schedule E - Verification Between Years SI16
Schedule F - Part 1 20
Schedule F - Part 2 21
Schedule F - Part 3 22
Schedule F - Part 4 23
Schedule F - Part 5 24
Schedule F - Part 6 25
Schedule F - Part 7 26
Schedule F - Part 8 27

ANNUAL STATEMENT BLANK (Continued)

Schedule H - Accident and Health Exhibit - Part 1 28
Schedule H - Part 2, Part 3 and 4 29
Schedule H - Part 5 - Health Claims 30
Schedule P - Part 1 - Analysis of Losses and Loss Expenses 31
Schedule P - Part 1A - Homeowners/Farmowners 33
Schedule P - Part 1B - Private Passenger Auto Liability/Medical 34
Schedule P - Part 1C - Commercial Auto/Truck Liability/Medical 35
Schedule P - Part 1D - Workers' Compensation 36
Schedule P - Part 1E - Commercial Multiple Peril 37
Schedule P - Part 1F - Section 1 - Medical Professional Liability - Occurrence 38
Schedule P - Part 1F - Section 2 - Medical Professional Liability - Claims-Made 39
Schedule P - Part 1G - Special Liability (Ocean, Marine, Aircraft (All Perils), Boiler and Machinery) 40
Schedule P - Part 1H - Section 1 - Other Liability-Occurrence 41
Schedule P - Part 1H - Section 2 - Other Liability - Claims-Made 42
Schedule P - Part 1I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary & Theft) 43
Schedule P - Part 1J - Auto Physical Damage 44
Schedule P - Part 1K - Fidelity/Surety 45
Schedule P - Part 1L - Other (Including Credit, Accident and Health) 46
Schedule P - Part 1M - International 47
Schedule P - Part 1N - Reinsurance 48
Schedule P - Part 1O - Reinsurance 49
Schedule P - Part 1P - Reinsurance 50
Schedule P - Part 1R - Section 1 - Products Liability - Occurrence 51
Schedule P - Part 1R - Section 2 - Products Liability - Claims - Made 52
Schedule P - Part 1S - Financial Guaranty/Mortgage Guaranty 53
Schedule P - Part 1T - Warranty 54
Schedule P - Part 2, Part 3 and Part 4 - Summary 32
Schedule P - Part 2A - Homeowners/Farmowners 55
Schedule P - Part 2B - Private Passenger Auto Liability/Medical 55
Schedule P - Part 2C - Commercial Auto/Truck Liability/Medical 55
Schedule P - Part 2D - Workers' Compensation 55
Schedule P - Part 2E - Commercial Multiple Peril 55
Schedule P - Part 2F - Section 1 - Medical Professional Liability - Occurrence 56
Schedule P - Part 2F - Section 2 - Medical Professional Liability - Claims - Made 56
Schedule P - Part 2G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery) 56
Schedule P - Part 2H - Section 1 - Other Liability - Occurrence 56
Schedule P - Part 2H - Section 2 - Other Liability - Claims - Made 56
Schedule P - Part 2I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft) 57
Schedule P - Part 2J - Auto Physical Damage 57
Schedule P - Part 2K - Fidelity, Surety 57
Schedule P - Part 2L - Other (Including Credit, Accident and Health) 57
Schedule P - Part 2M - International 57
Schedule P - Part 2N - Reinsurance 58
Schedule P - Part 2O - Reinsurance 58
Schedule P - Part 2P - Reinsurance 58
Schedule P - Part 2R - Section 1 - Products Liability - Occurrence 59
Schedule P - Part 2R - Section 2 - Products Liability - Claims-Made 59
Schedule P - Part 2S - Financial Guaranty/Mortgage Guaranty 59
Schedule P - Part 2T - Warranty 59
Schedule P - Part 3A - Homeowners/Farmowners 60
Schedule P - Part 3B - Private Passenger Auto Liability/Medical 60
Schedule P - Part 3C - Commercial Auto/Truck Liability/Medical 60
Schedule P - Part 3D - Workers' Compensation 60
Schedule P - Part 3E - Commercial Multiple Peril 60
Schedule P - Part 3F - Section 1 - Medical Professional Liability - Occurrence 61
Schedule P - Part 3F - Section 2 - Medical Professional Liability - Claims-Made 61
Schedule P - Part 3G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery) 61
Schedule P - Part 3H - Section 1 - Other Liability - Occurrence 61
Schedule P - Part 3H - Section 2 - Other Liability - Claims-Made 61
Schedule P - Part 3I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary, and Theft) 62
Schedule P - Part 3J - Auto Physical Damage 62
Schedule P - Part 3K - Fidelity/Surety 62
Schedule P - Part 3L - Other (Including Credit, Accident and Health) 62
Schedule P - Part 3M - International 62
Schedule P - Part 3N - Reinsurance 63
Schedule P - Part 3O - Reinsurance 63
Schedule P - Part 3P - Reinsurance 63
Schedule P - Part 3R - Section 1 - Products Liability - Occurrence 64
Schedule P - Part 3R - Section 2 - Products Liability - Claims-Made 64
Schedule P - Part 3S - Financial Guaranty/Mortgage Guaranty 64
Schedule P - Part 3T - Warranty 64

ANNUAL STATEMENT BLANK (Continued)

Schedule P - Part 4A - Homeowners/Farmowners 65
Schedule P - Part 4B - Private Passenger Auto Liability/Medical 65
Schedule P - Part 4C - Commercial Auto/Truck Liability/Medical 65
Schedule P - Part 4D - Workers' Compensation 65
Schedule P - Part 4E - Commercial Multiple Peril 65
Schedule P - Part 4F - Section 1 - Medical Professional Liability - Occurrence 66
Schedule P - Part 4F - Section 2 - Medical Professional Liability - Claims-Made 66
Schedule P - Part 4G - Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery) 66
Schedule P - Part 4H - Section 1 - Other Liability - Occurrence 66
Schedule P - Part 4H - Section 2 - Other Liability - Claims-Made 66
Schedule P - Part 4I - Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft) 67
Schedule P - Part 4J - Auto Physical Damage 67
Schedule P - Part 4K - Fidelity/Surety 67
Schedule P - Part 4L - Other (Including Credit, Accident and Health) 67
Schedule P - Part 4M - International 67
Schedule P - Part 4N - Reinsurance 68
Schedule P - Part 4O - Reinsurance 68
Schedule P - Part 4P - Reinsurance 68
Schedule P - Part 4R - Section 1 - Products Liability - Occurrence 69
Schedule P - Part 4R - Section 2 - Products Liability - Claims-Made 69
Schedule P - Part 4S - Financial Guaranty/Mortgage Guaranty 69
Schedule P - Part 4T - Warranty 69
Schedule P - Part 5A - Homeowners/Farmowners 70
Schedule P - Part 5B - Private Passenger Auto Liability/Medical 71
Schedule P - Part 5C - Commercial Auto/Truck Liability/Medical 72
Schedule P - Part 5D - Workers' Compensation 73
Schedule P - Part 5E - Commercial Multiple Peril 74
Schedule P - Part 5F - Medical Professional Liability - Claims-Made 76
Schedule P - Part 5F - Medical Professional Liability - Occurrence 75
Schedule P - Part 5H - Other Liability - Claims-Made 78
Schedule P - Part 5H - Other Liability - Occurrence 77
Schedule P - Part 5R - Products Liability - Claims-Made 80
Schedule P - Part 5R - Products Liability - Occurrence 79
Schedule P - Part 5T - Warranty 81
Schedule P - Part 6C - Commercial Auto/Truck Liability/Medical 82
Schedule P - Part 6D - Workers' Compensation 82
Schedule P - Part 6E - Commercial Multiple Peril 83
Schedule P - Part 6H - Other Liability - Claims-Made 84
Schedule P - Part 6H - Other Liability - Occurrence 83
Schedule P - Part 6M - International 84
Schedule P - Part 6N - Reinsurance 85
Schedule P - Part 6O - Reinsurance 85
Schedule P - Part 6R - Products Liability - Claims-Made 86
Schedule P - Part 6R - Products Liability - Occurrence 86
Schedule P - Part 7A - Primary Loss Sensitive Contracts 87
Schedule P - Part 7B - Reinsurance Loss Sensitive Contracts 89
Schedule P Interrogatories 91
Schedule T - Exhibit of Premiums Written 92
Schedule T - Part 2 - Interstate Compact 93
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group 94
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates 95
Statement of Income 4
Summary Investment Schedule SI01
Supplemental Exhibits and Schedules Interrogatories 96
Underwriting and Investment Exhibit Part 1 6
Underwriting and Investment Exhibit Part 1A 7
Underwriting and Investment Exhibit Part 1B 8
Underwriting and Investment Exhibit Part 2 9
Underwriting and Investment Exhibit Part 2A 10
Underwriting and Investment Exhibit Part 3 11